

JPRS-CAR-90-084  
15 NOVEMBER 1990



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# ***JPRS Report***

# **China**

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# China

JPRS-CAR-90-084

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15 NOVEMBER 1990

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## GENERAL

### Changing Japan, U.S. World Positions Analyzed

91CM0031A Beijing GUOJI WENTI YANJIU  
[INTERNATIONAL STUDIES] in Chinese No 3, Jul 90  
pp 37-44

[Article by Huang Suan (7806 4790 1658): "U.S.-Japanese Contention for Economic Power"]

[Text] *Waning U.S. and waxing Japanese economic strength, a trend which began in the 1980's, is gaining momentum. Armed with its economic strength, Japan is seeking greater political and military independence from the United States, greater international recognition, and an economic leadership position in the Western world. The United States wants to enlist Japan's help and to contain Japan at the same time in an effort to retain its own economic leadership position in the West. Should world power be redistributed according to changing relative economic strength? This is the crux of the contention for economic power. This struggle will determine the future of the West's political structure.*

In an environment of easing U.S.-Soviet military contention, U.S.-Japanese economic conflict has intensified. U.S.-Japanese economic confrontation raged in the 1980's, and today it has entered a substantively unique, new phase: It is no longer just a matter of trade but involves other areas such as banking, currency, investment, science and technology, and economic policies and structure. In fact, it has gone beyond just disputes over economic interests to embody more essential matters. It has become a struggle for economic power. It is now a question of whether the United States will continue to be the economic leader of the West, or whether it will be replaced by Japan; it is a matter of how economic power will shift between the two countries.

## I

In the final analysis, how much power the United States and Japan have over the economic affairs of the Western world is determined by their respective economic strength. Sooner or later their respective economic power will match their respective economic strength.

The relative economic strength of the United States and Japan underwent a remarkable change in the 1980's. In 1980, the U.S. GNP was more than two and a half times that of Japan; in 1988, it was only 1.7 times that of Japan. The U.S. per capita GNP has fallen below that of Japan in recent years. During the same period, the change in U.S. economic and technological competitiveness and financial strength relative to Japan's is even more alarming.

Over the last 10 years, the United States has lost its undisputed leadership position in the fields of science and technology. It is not only matched and surpassed by Japan in many ordinary industrial technologies, but it has even lost ground to Japan in some very advanced

technologies. In early 1989, a U.S. Government study indicated that, of 26 technical areas in semiconductor chip production, the United States is trailing Japan in 14, the two countries are neck-and-neck in six, and the United States is ahead in only six areas. The Pentagon's Defense Science Board reported recently that Japan is more advanced than the United States in six of 22 super-advanced technologies, including robotics and microelectronics. In some brand-new technologies destined to be the sensation of the 1990's, such as research and production of high-definition television, Japan is ahead and has beat out all of its competitors. In some fields, such as computer software, aeronautics and astronautics, and nuclear power, the United States still leads, but Japan is hard on its heels. In other fields, the United States has surrendered its superiority to the Japanese. Overall, the United States is still more advanced than Japan in basic scientific research and military technologies, but in the research and development of applied and civilian technologies, it is trailing far behind. Meanwhile, experts in basic science fields predict that "Japan will also lead in basic science before long."<sup>1</sup>

What is particularly worth pointing out is that civilian technology has a much broader market than military technology, and applied technology can quickly turn scientific discoveries into productive capability, and thus whoever has superiority in civilian and applied technologies will have the competitive edge. This is why Japan has consistently beat out the United States in the world market in the last decade or two.

The United States is losing ground to the Japanese in market competition even faster than in technological competition. After losing shares in the market for televisions, iron and steel, automobiles, and machine tools, and other everyday products, the United States is also steadily losing ground in the high-tech market. U.S. microelectronic products have lost 90 percent of their market share, mostly to the Japanese. U.S. electronic consumer goods can no longer compete, and few companies are left standing. The Japanese, on the other hand, have absolute supremacy in that market. Many U.S. companies that used to produce semiconductor chips have been locked out of the market, and Japan now monopolizes 90 percent of the world market for that product. Today, the United States is relying on Japanese companies to provide the high-performance chips for its supercomputers and military equipment. The United States, which had been "automobile king" for more than half a century, was dethroned by Japan in 1980. Today, Big Three U.S. automakers are eager to be agents for Japanese automakers: In 1987, they purchased 250,000 cars from Japan and sold them in the United States as theirs under their own brand names. Some high-tech products are sold the same way under the "joint-development" banner. A research paper published in the fall of 1989 reported that 11 of 23 key industries are on the decline, and six of those are in the high-growth, high-tech fields. Many factors contribute to the soaring

U.S. trade deficit in the 1980's; one that should not be overlooked is the waning U.S. international competitiveness.

Between 1982 and 1989, the United States accumulated \$951 billion in trade deficits, while Japan generated \$513.4 billion in trade surpluses. More than one-third of the U.S. trade deficit each year, and as much as one-half in some years, is from trade with Japan, and about two-thirds of Japan's trade surplus come from the United States. Japan's huge trade surplus, low consumption rate, and high savings rate, and other traditions have enabled that country to replace the United States as the world's number-one banking nation since the mid-1980's. According to a Japanese Economic Planning Agency report, by the end of 1989, Japan's total assets were worth \$43.7 trillion, making it the richest nation in the world, surpassing even the United States, which had \$3.62 billion [as published] in assets. Since the early 1980's, instead of being the world's largest creditor nation, the United States has become the world's largest debtor nation. Japan is now the world's largest creditor nation. By the end of 1989, net U.S. foreign debt had increased to \$642 billion and Japan's credit had risen to about \$400 billion. Japanese banks play a dominant role in the world financial market today. FORTUNE magazine's 50 largest banks in the world listed 23 Japanese—which account for 60 percent of all 50 banks' assets—and only four American banks—all of which have been excluded from the top-10 list by Japanese banks. Japanese banks account for 38 percent of all international loans. Valued at \$4.2 trillion and \$3 trillion respectively, Japanese companies are worth much more (in terms of total asset) than U.S. companies. Japan's every financial move has a decisive role in the world financial situation today.

There has been a massive influx of Japanese capital into the United States, as the Japanese buy up U.S. securities, companies, and real estate. As much as 30 percent of U.S. Government securities have been purchased by the Japanese. Today, the Japanese are holding at least \$140 billion worth of U.S. Government bonds. The dollar is still the world's major reserve currency, but it is propped up by Japanese investors. At the end of 1989, it was estimated that direct Japanese investment in the United States was worth \$75 billion, double that of two years ago. Japanese investors have surpassed by far their British counterparts as the biggest foreign investors in the United States.

As many as 1,000 Japanese companies have set up plants in the United States. They employ 200,000 workers. In recent years, Japanese tycoons have bought some prominent U.S. companies and real estate. The sale of Columbia Picture and Entertainment Company and New York's Rockefeller Center to the Sony Corporation and Mitsubishi Electric, respectively, in 1989 raised quite a public outcry. Many described it as the "selling of America's soul" and a symbol of "the end to an era of great wealth." Japan may have obtained only a small piece of the United States, but, as NEWSWEEK said,

Japan's actions have led many Americans to resent its "buying up America" and to worry that "Japan now has unchallenged superiority in trade and technology."<sup>2</sup>

Some people feel that Japan's economic strength has peaked and new situations have emerged. For example, readjustment of the economic structure has led to some leveling off, which will again affect the relative economic strength between the United States and Japan. But economic strength is first and foremost overall financial strength, and the United States' diminishing and Japan's growing financial strengths are founded on their changed scientific and technological positions and international competitiveness. The new situation may slow but cannot alter the earlier trend, at least not in the 1990's.

Three things characterized the United States' diminishing and Japan's growing economic strength in the 1980's: 1) There was an element of mutual exclusivity; in many ways, the United States' loss was Japan's gain. 2) The changes began at the bottom and moved upward to spread to fields where the United States had never felt threatened before. 3) The changes took place with unprecedented speed. Some radical changes occurred in only a few years' time.

U.S. goods and the U.S. dollar, two things that represented economic-technological competitiveness and superior financial strength, were the trump cards the United States used to open foreign doors and seize economic supremacy. Today, the United States no longer has these trump cards, and the direct beneficiary has turned out to be Japan again. That is why Americans from all walks of life are generally worried that Japan will be a threat to U.S. economic supremacy in the future. This is understandable.

The United States often associates Japan's economic threat with the Soviet military threat. A report prepared by a special committee appointed by President Reagan suggested that global competition with the likes of Japan is as serious a challenge to the United States as the Soviet Union's launching the first satellite was before. It said, "The Soviets first launched their satellite a quarter of a century ago. The launching and its rapid entry into space posed a clear challenge to U.S. world leadership and technological superiority." "Today, the United States is met with a similar challenge. It has no engine and makes no rumbling noise; instead, it creeps up on us in silence. This country's economic supremacy (domestic and foreign) is being challenged by a formidable international competitor."<sup>3</sup> Polls taken in the United States in recent years show that most people believe that the greatest threat to that country's future is Japan's economic might and not the Soviet Union's military power. Some Japanese already believe that their country has the two weapons—"capital" and "high-tech"—to dominate the world.<sup>4</sup> U.S.-Japanese economic conflict "is beginning to take on the historic significance of a time when one superpower is being replaced by another."<sup>5</sup>

II

Of course, it is premature to talk about "the changing of the guard" at this point. Looking back, in the late 19th century and early 20th century and after World War II when Great Britain and the United States, respectively, were economic rulers of the world, they were not only economic superpowers but were also political and military superpowers. They used their solid economic strength to enhance their political and military status. Conversely, they also wielded political influence and flexed military muscle to maintain their economic supremacy. Today, Japan is not yet the number-one economic power, nor is it a bona fide political superpower, even less a military superpower. That is why Japan cannot replace the United States as leader of the Western economic world. But what is interesting is that in the last 10 years, Japan has stepped up the use of its new-found economic power to increase its political influence and military strength, trying vigorously to become a political superpower, even a military superpower, and has been demanding the international status more befitting its economic clout.

Over the last 10 years, Japan has been actively seeking to wield more influence and play a bigger role in international affairs. In recent years, it has worked very hard to end its isolation and its traditional, complete dependence on "U.S.-Japanese cooperation" and is taking part in broader international cooperation and playing a bigger role.

Japan believes that, in view of the international situation, especially the changes in the Soviet Union and East Europe, the world is in need of a "new international order." The Japanese Government maintains that, because Japan has both "economic and technological strength," it should take on "major responsibilities" in the "new international order." It believes that, although "harmonious U.S.-Japanese cooperation" will continue to be the "main axis" in the future, "Japan should become gradually more independent." Japan suggests that the "new international order" should be headed by a "Japanese-U.S.-European tripartite system." This system should replace the current, separate systems of "U.S.-Japanese cooperation" and "U.S.-European cooperation." Japan believes that it is imperative that the heretofore relatively weak Japanese-European link be strengthened. Taking advantage of Prime Minister Kaifu's eight-nation European visit earlier this year, Japan has begun to play an active part in European affairs. It is possible that Japan will send observers to participate in NATO's and the European Security Council's discussions on matters of European security. During his European visit, Kaifu reiterated that "Japan supports the reform in East Europe" and announced a \$1.95 billion loan to East Europe. Japan's advocacy of a "Japanese-U.S.-European tripartite system" to lead the "new international order" may serve two purposes: First, it prevents the United States and Europe from deciding the future of Europe without Japan. Second, the

"tripartite system" will enhance Japan's position in its negotiations with the Soviet Union.

Meanwhile, Japan is striving to improve its image, increase its influence, and upgrade its status by increasing aid and loans to Third World countries. The Japanese Government has announced four official medium-term development assistance goals. The fourth medium-term goal (1988-1992), which was announced in 1988 and is being implemented, will provide in excess of \$50 billion in development assistance. Currently, the Japanese Government's development assistance budget is nearly \$10 billion a year, 10 times that of a decade ago, and has surpassed that of the United States three years in a row. If we add private investments and loans, Japan has floated approximately \$25 billion a year in funds to the developing nations for the last several years. At the Group of Seven summit meeting last year, Japan pledged a new three-year aid plan worth \$35 billion. It even came up with its own plan to deal with Third World debts and tried repeatedly to persuade the United States to soften its tough stand on Third World debts. Japanese Financial Minister Miyazawa also proposed a plan to reduce or forgive some Third World debts.

In recent years, while providing more foreign aid and loans, Japan has also demanded the international power more in keeping with the money it spends. The World Bank and the International Monetary Fund are the two main international organizations that handle Third World assistance and loans. The Japanese Government wanted to change the power structure of these two organizations and move Japan's voting right from fifth place to second, after the United States. The proposal was rejected by Great Britain, and, although Japan already ranked second in the World Bank, the issue of its place in the International Monetary Fund Organization was not resolved for some time. It was not until 6 May of this year that the Group of Seven made a tentative decision to boost both Japan's and the FRG's share and voting rights to second place in the International Monetary Fund Organization and lowered Great Britain's and France's to fourth place. This decision still requires the approval and ratification of the organization's Policy Consultative Committee and all member nations before taking effect.

Japan's Third World operation, of course, is based in East Asia. Since 1978, Japan has been the main source of official bilateral development assistance in Asia. Japan's official development assistance and private investments and loans began to soar in the 1980's. Funds pledged by Japanese companies have increased by more than three times in the last five years. Japan has moved some industries to East Asia to create a new order of international division of labor, increase the relative share of import-export trade with East Asia while reducing the United States' relative share, and cement closer economic relations, based on mutual dependence, in East Asia. Japan wants to organize a formal East Asian Economic Group, with itself at the head, but there are



many obstacles. Meanwhile, it is striving to foster inseparable economic ties to East Asia, promote total economic integration in the region, and lay the foundation for the East Asian Economic Group, counting on these for backing when dealing with the United States and the European Community.

Increasing its military strength has been the Japanese Government's goal since the 1980's. It has indicated that, even though the tension between East and West has eased, Japan "will continue to augment its defense capability." Japan has reiterated that it will continue to implement its "Medium-Term Defense Preparedness and Outfitting Plan" which is based on its "National Defense Program Outline." Since 1981, the Japanese defense budget has increased at a rate of six percent a year. Since 1987 and for three years in a row, its defense budget has exceeded its own government-set limit of one percent of the GNP. 1990 is the last year of the "Medium-Term Defense Preparedness and Equipment Plan" (1986-1990), and this year's defense budget is approximately \$30 billion, doubled that of a decade ago. In absolute value, Japan's defense budget lags only those of the United States and the Soviet Union, ranking third in the world. Today, Japan's military capability is much greater than that of a decade ago. For example, Japan now has 63 escort vessels and destroyers compared to 48 in 1980. In addition, it has 300 fully equipped fighters and 1,200 Mitsubishi T-74 tanks. The emphasis of the "Medium-Term Defense Preparedness and Equipment Plan" for the 1986-1990 period is on enhancing naval and air combat capabilities. U.S. military experts estimate that, upon the completion of the above plan, Japan will have more aircraft than those stationed by the United States in Japan, South Korea, and the Philippines combined, and will have three times and five times, respectively, the number of destroyers and antisubmarine airplanes in the U.S. Pacific Seventh Fleet. Today, Japan is drawing up its 1991-1995 "Medium-Term Defense Preparedness and Equipment Plan." It is estimated that the plan will cost in excess of \$150 billion, more than the previous plan. More interesting is that Japan plans to build its own aircraft carriers and purchase in-flight refueling airplanes to strengthen its long-distance combat capability. More and more, the Japanese military is exceeding its "defense-only" needs.

Today, Japan is seeking greater autonomy in developing its own arsenal. Japan had intended to develop the FSX jet-fighter on its own before it became a joint venture with the United States. Japan is also developing a jet engine for its super-high-speed fighter. Japan has the advanced technologies to produce the most modern arsenal. The six critical technologies referred to in the above-mentioned U.S. Defense Department report are all military-related. The special coating on the latest U.S. radar-invisible aircraft is Japanese-made. Even the world's most advanced fighters are dependent on Japan's precision ceramics and reinforced carbon fiber. In March of this year, the U.S. Government sent a special investigative team to Japan to purchase any Japanese-developed electronic technology that may have military

applications. They have shown interest in three types of electronic equipment and technology developed by Mitsubishi Electric. Thus, if Japan wants to build up its arsenal and to become a military superpower, what it lacks are not economic and technological capabilities, but the right political climate at home and abroad.

Japan wants more military strength not only to counter the lingering Soviet military threat but also to command greater esteem so that it will be taken more seriously in Japanese-Soviet negotiations and U.S.-Japanese cooperation. Japan wants to maintain the "Japan-U.S. Security Treaty," partly for the sake of continued U.S. military protection and partly to augment its military strength under the "mutual defense" framework so as to dispel the suspicion and opposition of the United States and its Asian Pacific allies. Thus, Japan's continued quest for military strength has its military significance in the present circumstances, but it will have increasingly greater political implications.

Japan has no doubt that one of the main reasons it has not become a political and military power and why its international status is not more befitting of its economic strength is because it is under the thumb of the United States. Japan also has no doubt that the main reason it often must make economic concessions to the United States is because, politically and militarily, it is dependent on U.S. guardianship and protection. Thus, if Japan wants to become a political and military superpower, the first condition is to win political and military independence from the United States. If Japan indeed becomes a political and military superpower, not only will it trouble many of its neighboring countries, it will also constitute a serious threat to the United States. In that scenario, although it may not necessarily lead to U.S.-Japanese military confrontation, if the United States continues to lose and Japan continues to gain economic strength, it will make the replacement of one economic superpower by another more likely. Even if Japan does not become a political and military superpower, if it wins complete political and military independence from the United States, there is still a good possibility of its replacing the United States as the economic superpower. The United States should be prepared to deal with it.

### III

Japan's soaring economic clout has enabled it to use that strength to boost its political status and military might. But at present, so far as the United States is concerned, what really needs to be dealt with is Japan's serious economic challenge. The primary U.S. countermeasure is to strengthen and improve its own competitive capability against Japan. Japanese political and military contention so far has not posed much of a threat to the United States. To make Japan share in the Western world's responsibilities, the United States believes that it must continue to provide political guidance and to support Japan's quest for international recognition and greater military strength. If Japan takes on a bigger share of the world responsibilities, it will help disperse some of

the economic pressure on the United States and ease some of the latter's economic burden. The United States wants mainly to protect its economic leadership position in the West. It does not want Japan to be too strong politically and militarily or become a bona fide political and economic superpower, because this would not only mean losing to the Japanese its rights as economic leader, but would also undermine U.S. leadership in the entire Western world. Therefore, on political and military matters, the United States has adopted a policy of simultaneous dependence on and containment of Japan. The following are a few specific U.S. tactics:

1. Promote scientific and technological developments to strengthen its international competitiveness: Since the mid-1980's, how to increase U.S. competitiveness abroad has been a growing concern in government, entrepreneurial, and academic circles. The U.S. Government is stressing science and technology as a way to enhance its competitiveness abroad. On 2 April 1988, in one of his weekly televised speeches, President Reagan declared that strengthening scientific and technological capabilities is the only way to guarantee U.S. competitiveness through the 21st century. He expressed concern that the United States may be reduced to a technologically second-rate country and suggested that strengthening science and technology "is an indispensable investment in America's future." Today, the U.S. Government is increasing funding for research and development, implementing educational reform, strengthening basic research, promoting enterprise scientific and technological development, and taking active measures to prevent the loss of U.S. scientific and technological intelligence. In many ways, U.S. actions are aimed at Japan.

2. Step up enforcement of a protectionist policy and force Japan to gradually open its commodities and capital markets: Increasingly, the United States is openly abandoning its "free trade" slogan. Import restrictions imposed by the Reagan administration equaled all restrictions imposed by the previous six administrations put together. His government doubled the number of goods put under import quotas. Foreign imports must pay tariffs, and traditional measures such as "voluntary restraint" have given way to "Super 301," based on the "Comprehensive Fair Trade Law" of 1988; and the United States has unilaterally sanctioned other countries for "unfair trade practices" and has investigated and penalized those practices according to U.S. laws. Today, more than two-thirds of Japanese exports to the United States are subject to quotas of all sorts, special tariffs, and other barrier-type restrictions.

To force Japan to open its doors and to overcome its disadvantages in competing with Japan, the United States has tried every possible measure it can think of in the last 10 years. At first, the United States asked Japan to lower its tariffs, but even after Japan did so, the U.S. trade deficit with Japan continued to grow worse. As for the Japanese, they have given up as much ground as they can. According to a BUSINESS WEEK report, on the average, Japan's tariffs are the lowest of all Western

developed countries. The U.S. Department of Commerce estimated that even if Japan should lift all U.S. import quotas and tariffs, U.S. exports to Japan would increase to \$10-12 billion a year at most. In 1985, the United States asked Japan to appreciate the Japanese yen, but despite the steep rise in the value of the Japanese yen in recent years, it has not helped right the U.S.-Japanese trade imbalance. In 1989, the United States blamed its trade deficit on Japan's many "structural barriers." For example, Japan makes too little public investment, its land-use policy has resulted in outrageous land price, its pricing mechanism causes domestic prices to be higher than export prices, its sales system restricts competition and discriminates against foreign products, its antitrust law is not being enforced, and the internal relationship within the keiratsu (enterprise groups) is so tight as to exclude all foreign companies. The United States charged that these and other practices are keeping foreign enterprises out of Japan's commodities and capital markets and demanded that these obstacles be removed. In effect, the United States was asking Japan to reform its economic system and other related legal systems and change its social system. The United States even threatened that, failing to reach an agreement, Japan would be considered an "unfair trade partner" and would be "punished" accordingly. After four rounds of arduous negotiations that began in September 1989, Japan was forced to make big concessions, and the United States also promised to do something about its budget deficit, savings, investment, education, and other structural problems. On 5 April of this year, the two sides reached a tentative agreement and set a June date for finalizing the agreement. Subsequently, the United States announced that Japan was no longer on the "hit" list. But both U.S. and Japanese media believe that this agreement will not resolve the U.S.-Japanese trade conflict. So long as its huge trade deficit is not eliminated, the United States will not rest.

3. Encourage and guide Japan's foreign aid and loan programs and strive to put Japan's foreign economic activities on the U.S. policy track: Foreign aid has always been an important, nonmilitary component of U.S. foreign policy. Increasingly, the United States is unable to satisfy all the foreign aid needs and must therefore ask Japan to do more to share the U.S. "responsibility to promote world stability and development." The United States has asked Japan to emphasize "strategic international economic assistance," that is, to provide economic assistance to countries of strategic importance to the United States and the West. Japan provided the first such assistance to the Philippines. The United States is in control of the decisionmaking processes concerning the West's Third World loans. It continues to be the principal spokesman for the international organizations in charge of Third World loans and assistance. The United States has rejected the plan drawn up by Japanese Financial Minister Miyazawa. Former U.S. Treasury Secretary Baker tried to discourage Miyazawa from putting his proposal before the G-7 summit meeting in Toronto and voted against the plan at the meeting. But a

year later, in March 1989, Treasury Secretary Brady took over Miyazawa's plan, made some minor changes, put his own stamp on it, and call it the "Brady plan." Japan foots the bill, and the United States controls the power—this is the best U.S. deal.

The United States wants Japan to play a role in economic cooperation in the Asian-Pacific region, but does not want Japan to play the major role. Japan's proposed East Asian Economic Group has not won U.S. support, and so far the plan has made little progress. Meanwhile, economic cooperation in the Asian-Pacific region has undergone rapid development. This is the result of U.S. promotion. The so-called "Pacific Economic Cooperation and Development Organization" proposed by Australian Prime Minister Hawke has U.S. support and encouragement. The reason the United States has not come up with its own plan is to avoid giving the trans-Pacific group a "Made in U.S.A." label.<sup>6</sup>

4. Urge Japan to shoulder a bigger share of the defense burden while maintaining a U.S. military presence in East Asia: The United States has asked Japan to pay a larger share of the cost of maintaining U.S. military personnel in Japan, spend more on their "mutual defense undertakings," and shoulder more responsibility. Meanwhile, the United States does not want Japan to have conspicuous military strength, even less to use its superior economic and technological capabilities to develop a defense industry or produce its own arsenal. The U.S.-Japanese military-technology agreement on exchanging military intelligence not only provides the United States with Japanese military technology, but keeps Japan from developing the most advanced military technologies on its own. A glaring example is the FSX jet-fighter which Japan had hoped to develop on its own, but, because of U.S. opposition, was forced to turn into a joint-development project. Japan also agreed not to use U.S. technology obtained in that project to develop its own civilian aircraft and compete with the United States.

If the current situation prevails, the United States will gradually reduce the size of its troops stationed in East Asia, but will continue to maintain a sizable force in Japan to give it "military protection." This is not just to counter the Soviet Union's continued military threat and to reassure U.S. allies in East Asia, but also to counterbalance Japan's strength in East Asia, and will be used as a trump card to force Japan to make economic concessions.

As its economic strength wanes, the United States is finding it increasingly difficult to keep up with its superpower status. Its economic strength can no longer shoulder the burden of a superpower. Japan's relatively low international status is also incongruent with its burgeoning economic strength. To try to stay on top while its economic strength is dwindling, the United States is maintaining or even worsening the imbalance between its power and its strength. Japan's quest for more international recognition as it continues to gain

economic strength will eventually let it achieve superpower status. In other words, it will have the power to match its strength. Simply put, the United States will try its best to maintain, while Japan will do its best to end, the old distribution of power after the relative economic strength between the two countries has shifted. This is the crux of the U.S.-Japanese contention for economic power.

Today, the U.S. and Japanese Governments as well as the public are engulfed in this sharp economic conflict that is beginning to jeopardize the friendship between the two nations. If the above two "incongruities" should persist, the economic conflict between the two countries, especially the contention for economic power, can only get worse. But because the two countries are so dependent on each other economically that neither can survive without the other, and because politically and militarily they also need each other, the two governments will try to handle the economic conflict calmly and create a fairly friendly, conciliatory, and cooperative atmosphere. Conflict, compromise, more conflict, and more compromise will continue to characterize the development of U.S.-Japanese economic conflict in the future.

Looking at today's situation, it is unlikely that Japan can replace the United States to rule the Western economic world, at least not in the 1990's. In the foreseeable future, the political structure in the West is not expected to change very much. But as the two superpowers become less in control, as Japan gains more economic strength, and with the unification of Germany, with the major countries becoming more closely matched, and with the multipolar development of the world, the future will be more unpredictable. If we look at the history of the Western world, when only one country was powerful enough to rule the world, the world situation tended to be more stable, but when the rule of one country gave way to multinational contention, world stability was shattered. It looks like the world will become a more turbulent one in the future. There may be a redistribution of power among the great powers in one form or another. If this trend continues, the political situation of the Western world, and even the whole world, may undergo some more changes yet.

#### Footnotes

1. NIHON KEIZAI SHIMBUN, 11 September 1989.
2. NEWSWEEK, 9 October 1989.
3. Report by the Presidential Committee on U.S. Competitive Capability: *World Competition: New Reality*, 1985 English edition, p. 5.
4. Japanese magazine, DAIYAMONDO [DIAMOND], January 1990.
5. Japan's EKONOMISUTO [ECONOMIST], 24 October 1989.
6. U.S. CONGRESSIONAL REPORT, December 1989.



### **UK's Thatcher Threatens Force Against Iraq 'Soon'**

OW0811015990 Beijing XINHUA in English  
00:27 GMT 8 Nov 90

[Text] London, November 7 (XINHUA)—British Prime Minister Margaret Thatcher today issued what is being seen as her strongest warning so far to Iraq to press for the latter's withdrawal from Kuwait.

She told the House of Commons during the debate on the queen's speech that Iraqi President Saddam Husayn had to get out "soon, or we and our allies will remove him by force."

"He will go down to defeat with all its consequences. He has been warned," Thatcher said, adding that "time is running out for Saddam Husayn."

Thatcher's use of the word "soon" was regarded as her first introduction of a time element into the threat of military force and just how long this means in practice, however, is not yet clear.

Thatcher said there was no sign that Iraq is going to quit Kuwait, which it invaded on August 2.

"For three months now we have given sanctions and other peaceful pressures a chance. We have given Saddam Husayn the opportunity to withdraw and end these abominations," she said.

Thatcher said the West is reluctant to use force or to threaten to use force. But she insisted that there should not be any reward to an aggressor.

## **EAST EUROPE**

### **Czechoslovak Communists Fight Confiscation Attempt**

OW2910030090 Beijing XINHUA in English  
0242 GMT 29 Oct 90

[Text] Prague, October 28 (XINHUA)—Czechoslovak Communist Party leader Vasil Mohorita accused attempts by the government to confiscate the property of his party as being undemocratic and contrary to the country's Constitution.

Mohorita, first party secretary, made the remarks at a party plenum here Saturday against a government bill, scheduled to be discussed by the parliament in November, on the confiscation of the Communist Party property, the official CTK NEWS AGENCY said.

Apart from the party's earlier efforts to fight the bill, Mohorita and Jiri Svoboda, party chief of Morava Province, recently wrote separate letters to Czechoslovak

President Vaclav Havel and Prime Minister Marian Calfa, reminding them of their party's constitutional status, CTK said.

Such action runs counter to the current property-protection Constitution, the letters said, adding that the Czechoslovak Communist Party received a total of more than 15 million votes and 16 percent of the parliamentary seats in this year's election.

Meanwhile, Communist Party leaders also wrote to Communist and Worker's Parties around the world appealing for their support, CTK said.

According to the local press, the Czechoslovak Communist Party possesses 2.6 billion koruna (1.1 billion U.S. dollars), all out of the party membership dues and donations from supporters.

### **CEMA Collapse Compounds East Bloc Disarray**

OW3010014790 Beijing XINHUA in English  
0107 GMT 30 Oct 90

[Text] United Nations, October 29 (XINHUA)—A U.N. report says the economic trend in the Soviet Union and East European countries appears "worse than expected." The report, made public today under the title "Update on the World Economy, 1990," points out that the sense of optimism that was generated by the dramatic changes in Eastern Europe and the reduction of tension between the superpowers has come to be replaced by a great uncertainty about the immediate prospects for the world economy.

The report says that many of the economic adjustment efforts that these countries embarked upon in early 1990 have led to sharply lower levels of economic activity.

"Negative output growth has been typical for the group and considerable capacity is being idled in the process," the report says.

According to the preliminary data, the report says, the contraction of aggregate output has been of the order of at least 12 percent for Eastern Europe and probably five percent for the Soviet Union. Particularly in Poland and Romania the recession has been on the order of 20 to 25 percent.

The report further points out that industry in East European countries has been strongly affected, where the contraction averaged about 15 percent. The industrial slump in Poland and Romania has reached 20 and 30 percent respectively.

The collapse of the formerly Soviet-dominated Council of Mutual Economic Assistance (CMEA) as a regional economic organization has compounded disarray in policy-making in the member countries, the report says.

As regards prospects, the report expects "a protracted period of austerity" and the further worsening economy in the Soviet Union and East European countries.



**Article Urges Enhancing Party-Peasant Relations**

90CM03684 Nanjing QUNZHONG [THE MASSES]  
in Chinese No 7, 5 Jul 90 pp 9-10

[Article by Song Jiaxin (1345 1367 2450), Secretary, Haimen County Committee: "Strengthen Party-Peasant Relations"]

[Text] This is an agricultural country, and peasants make up a majority of the population. The stability, prosperity, and development of villages is of the gravest importance. Historically, the party and government have been extremely concerned with rural, agricultural, and peasant matters. The peasantry has deep feelings for the party and government. For a number of reasons, in recent years party-peasant relations have been less than satisfactory, and in some areas they have even been rather tense. Yet party-peasant relations are the principle part of party-masses relations in the countryside. For this reason, studying and implementing the Resolution of the CPC Central Committee Concerning Strengthening Party-Masses Relations in rural areas means promoting closer relations between the party and the peasantry. It also means placing these questions at the top of the agenda and giving them sufficient attention and importance.

### **1. Formulating and Implementing Correct Rural Policies Is the Basis for Strengthening Party-Peasant Relations**

The resolution noted that, "In order to establish closer relations between our party and the masses and lead the masses victoriously onward, we must chiefly ensure that policy decisions and their execution conform to the interests of the people." The history of party-masses relations since the founding of the country has indirectly proven this to be completely true.

When the nation was first established, our party instituted a general land reform policy in the countryside which generated tremendous energy. The peasantry became free politically, and economically they acquired land they had only dreamed about. Enthusiasm for production soared, and party-peasant relations were extremely harmonious. After the 1950's, rural policy took the "Three Red Banners" as its core and became impractical to a degree. This severely undermined peasants' production enthusiasm and thus affected the development of rural productive forces, and party-peasant relations hit a very low point. At the start of the 1960's, the party Central Committee corrected the errors: production developed rapidly, and the close-knit relations between the party and the peasantry swiftly recovered. During the Cultural Revolution, the countryside made class struggle its guiding principle, and nipped capitalism in the bud wherever it appeared. Socialism was stretched to the limit. Planting only a few trees, raising a few chickens, or growing nice vegetables was recognized as capitalism, and peasants were criticized or reprimanded for doing this. Party-peasant relations once again were seriously devastated. After the Third Plenary Session of

the 11th CPC Central Committee, our party implemented a contract responsibility system for production, which once again stimulated extensive production enthusiasm among peasants. The rural economy bubbled with growth, and party-peasant relations took a new turn.

However, during the economic structural reform in the countryside, there were some plans to use the phony label "surplus food and cotton" to make a major breakthrough in the purchasing and marketing system of secondary farm products. The result was that reform travelled a twisted path. At the time, there was a theory blindly emphasizing that peasants should plant whatever could be marketed on the international market and could earn money. Under these conditions, an erroneous public opinion arose in Qihai district. This opinion held that "Communist Party members and model laborers do not plant cotton. Planting very little or no cotton is a contribution to the country." The peasantry were not understanding about this. This tossing and turning greatly hurt peasants' production enthusiasm. Later, during economic structural reform in the cities, when the prices of industrial goods, some daily necessities used by peasants, and agricultural production materials all increased significantly, prices of secondary products could not keep pace. The gap widened steadily, leading peasants to say that "food costs increase cent by cent, chemical fertilizer costs increase dime by dime, and pesticide costs increase dollar by dollar." In recent years, problems concerning price, inequitable distribution, party practices, and the "Several Great Hardships" in the countryside combined to create yet another low in party-peasant relations. After the Fourth Plenary Session of the 13th CPC Central Committee, the party Central Committee took a series of steps concerning politics, economics, and ideology which deeply affected the heart of the party and the people. This, coupled with last year's bountiful harvest, is gradually becoming more agreeable to the people.

We can see from this that the rise and fall of the countryside and relations between party and peasantry depend primarily upon whether the party's rural policy is correct. So where does this correct policy come from? The conclusion is that there can only be one source: from the countryside, from the peasantry. Our party serves the people wholeheartedly. The starting point of the party's rural policy is the mobilization of peasants' enthusiasm and the protection of the personal interests of the majority of the peasantry. Sometimes, it is necessary to sacrifice the immediate interests of some peasants for the sake of the whole. However, in the long run this also must benefit the peasantry. When considering whether a policy can be implemented, we should first look for signs of whether 800 million peasants will welcome or even accept it. Currently, the party's overall rural policy is correct, but some departments concerned have specific policies which depart from rural realities and which are difficult to carry out. Under current circumstances, higher authorities merely issue red-letterhead documents

and do not consider whether lower authorities can accept them, which creates a great dilemma. In order to continually strengthen relations between the party and peasantry and solidify and expand on desirable rural situations, the party's leading cadres must immerse themselves in the countryside, and investigate, study, support, and maintain policies that have been proven in practice. At the same time, they must improve unsatisfactory policies and revise inappropriate ones in a timely manner. There can be hope for the countryside and a guarantee of good party-peasant relations only if higher and lower echelons merge and work to make rural policies right.

## **II. Vigorously Resolving the "Several Great Hardships" in the Countryside is the Breakthrough Point for Strengthening Party-Peasant Relations**

In recent years, a new rural economic system has supplanted the old one, and rural working conditions have changed drastically. Because the "Several Great Hardships" plague grassroots cadres on a broad front, they have become a breach which affects party-peasant relations. Gradually resolving this problem will be a major breakthrough for strengthening relations.

All areas have common as well as unique "hardships," such as problems with family planning, crop planning, reforming funerals and burials, conscription, river excavation, harvesting and payment, and planning a housing construction base for peasants. Before the period of contract responsibility, the livelihood of the masses rested in the hands of the production team leader. Afterward, the livelihood of village cadres depended upon the peasantry. The attitude of peasants towards cadres in some areas was that, "Since there is no criticism or struggle anymore, we aren't afraid of you. We have food and clothing, so we don't depend on you. If we have problems, we'll look to you. If you cannot solve them, we'll curse you." Despite the fact that they tried their utmost to solve the problems, grassroots cadres suffered greatly. The difficulty in handling these matters is due primarily to contradictions between national conditions and the will of the people, between long- and short-term interests, and between local and overall interests. However, these matters must be handled, and handled well, in order to be of overall benefit to the nation and of long-term benefit to all peasants. Then how are these difficulties to be resolved?

First, the solution lies with the peasant masses. We will not find the proper method in books, nor will a few people cloistered in a room, thinking long and hard, come up with a good plan. We may draw upon the experience of others, but this will not completely resolve the problem. The only way is for cadres at all levels—county, town, and village— to get moving, go into the countryside among the peasantry, and understand the past, present, and future of each thing. They must analyze typical cases, research countermeasures, and sum up and popularize advanced models, focusing on

helping later goals. They must fight one battle at a time and the situation will gradually change.

Second, they must combine their belief in and reliance upon the peasantry with the education and guidance of peasants, in order to greatly reinforce rural ideological and political work and the education of the peasantry. They must encourage healthy trends in the countryside, create a desirable microclimate, and allow peasants to educate themselves. Through education, propaganda, and guidance, peasants will recognize that the party's family planning, soil conservation, crop planning, and other policies are not for the benefit of any one individual, but rather for all people. They will become aware that local interests are subordinate to the interests of the whole, short-term interests are subordinate to long-term ones, and individual interests are subordinate to collective interests. They must believe that the majority of the peasantry are reasonable and understanding, and are willing to listen to and follow the party.

Third, we must resolve the problems by adopting methods which are multibarreled, can be comprehensively administered, and effect a permanent cure. In reality, if party-masses relations are good, large problems become small ones, and small ones disappear. If relations are poor, storms can build up out of nothing, and small problems can grow large. Rural party organizations at all levels must do their utmost to work for the benefit of the peasants, relieve their worries, and solve their difficulties. This includes, for example, handling township industries, increasing peasant income, managing agricultural machinery, waterpower, and technological services, supplying superior quality pesticides and chemical fertilizers, and guiding peasants in planting the land for which they are responsible. It also includes repairing bridges and roads, and helping peasants solve problems regarding drinking water, fuel, schooling for their children, medical care, etc. They should do everything possible to help in cases where peasants have urgent needs, where the problem cannot be resolved on a household level, or where they can possibly be of assistance. On this basis, the state and the collective must sort out what they require the peasant to turn over to them and must simplify procedures, open accounts to public inspection, and give more and take a lesser, reasonable amount. Thus we can change the abnormal situation where grassroots cadres in some areas now spend most of their energy accepting this and requiring that from peasants; this will smooth the feelings of the peasantry. In this county, if those at the grassroots level work conscientiously and with the support and help of those higher up, then the issue of the "Several Great Hardships" can be gradually resolved.

## **III. Improving Building of Grassroots Party Organizations is the Vital Link in Close Party-Peasant Relations**

The resolution pointed out, "Ultimately, the party's line, programs, and policies must be carried out by grassroots party organizations and by party members who work

among the masses." "Grassroots party organizations and party members living among the peasantry do the most basic work. Villages look at other villages, households at other households, commune members at the cadres." When the peasants masses look at the Communist Party, they look first at the rural party members who live beside them. That is why improving grassroots party organizations is a vital link in close party-peasant relations.

Presently, there are both a few advanced and a few backward relationships between grassroots party organizations and the peasantry, but the majority of such relationships are in between the two extremes. A few party organizations are strong, have won the confidence of the masses, and receive an enthusiastic response when they call upon the people. There are also a few that are basically paralyzed and unable to be useful, and they receive many complaints from peasants. Most of the organizations have hard-working grassroots cadres, but lack something here or there, and the masses have various complaints about them. On the whole, party policy is basically implemented. Generally speaking, middle-aged and older people among the masses have stronger feelings for the party, and relatively few of them clash with the government's appeals. Party-peasant relations are relatively good in many of the units that have had rapid economic development in recent years. There are two villages in Sanhe Township in this county that are separated only by a river, but which have decidedly different situations. The economy in Sannan Village is relatively thriving, and its society is stable. Its 32 party members serve as role models, and for years there have been no incidences of unplanned births, public safety problems, or delinquent tax payments. They lead the way by executing all party policy programs. The other village has party members of low caliber, cadres who are not very aggressive, and an incomplete organizational structure, and village cadres are unable to find people to work. Currently the township party committee has sent out a work team to help them change as quickly as possible.

When improving the building of grassroots party organizations in the countryside, aside from building up the organization, in the long run most of the work must strengthen the building of ideology and work styles. Through daily education, even more rural party members and cadres of party organizations will acquire the attitude of serving the people wholeheartedly, and will clearly realize that the cadres' power is bequeathed by the people. Inheriting and carrying on the party's excellent traditions and work styles will change the party-peasant relationship so that it is as close as that of fish and water. The party must do its best to lead the peasant masses in developing a socialist commodity economy, handle township industries, develop a diversified economy, boost the collective economy, increase its ability to regulate and control, and allow even more peasants to move from poverty to prosperity. At the same time, it must correct corrupt practices which currently exist, such as when some grassroots cadres use their power for private gain, take more than their share, or handle matters unfairly. It must resolutely investigate and deal with cases in which the law has been violated, and gradually recover and improve the prestige of grassroots cadres among the masses. It must toughen village committees, village cooperative economic organizations, and make full use of the head of the village organization and the production team leader. This can strengthen the ties in party-peasant relations so that the party's rural policies can be carried out in timely fashion, the masses can ask the party to handle things and provide feedback in a timely fashion, and village affairs can continually develop.

In summary in order to strengthen party-peasant relations, we must have a good set of policies from above and good branches below. We must give peasants more education and more service, and work hard to resolve the "Several Great Hardships." We can believe that, under the guidance of the resolution, relations between the party and the numerous peasantry can certainly become strong and solid very quickly.



## NATIONAL AFFAIRS, POLICY

### CRES Official Views Reform, Eighth Five-Year Plan

91P30023A Chongqing TIGAI XINAI [REFORM NEWS] in Chinese No 18, 20 Sep 90 pp 34-35

[Summary] Fu Fengxiang, a member of the Commission for Restructuring the Economic System (CRES) and head of its macroeconomic department, recently made the following comments concerning the Eighth Five-Year Plan:

#### I. Guiding thoughts:

1. Reform must lead to the achievement of the strategic economic development goal for the year 2000, and it must be integrated with stability and economic development.
2. Deepening reform must address glaring problems concerning industrial structure, technological advancement, and economic results.
3. Reform must meet the requirements of a planned commodity economy by establishing a mechanism to combine planned economy and market regulation.
4. Reform must be closely related to opening up and must contribute to the development of international economic and technological exchange. Coastal areas and special economic zones should lead the way in reform.
5. Reform must take individual circumstances into consideration, allow localities to be creative, and avoid imposing one standard for all.

#### II. Emphasis:

1. To gradually establish a framework to integrate planned economy with market regulation and reduce state subsidies, it is imperative to move ahead with price reform. Under the prerequisites of a generally balanced aggregate supply and demand and an inflation rate under seven percent, the state must formulate a more scientific price system and straighten out comparative prices—particularly those of coal, iron and steel, cotton, and grain. With the exception of grain, the state plans to eliminate the multi-track price system of all capital goods and implement only one single-track.
2. On the basis of putting prices, enterprise property rights, and the tax system in order, we must gradually standardize the relationship between the state and enterprises and make the latter more self-reliant. The contract management system should be perfected, and certain money-losing enterprises and small commercial enterprises should adopt loss-reduction contracts and leasing. Conditions should also be actively created to separate tax payment from profit delivery.
3. The relationship between the central government and localities should be straightened out, and we should

implement a revenue sharing system based on a proper division of authority between the two. We must eliminate the budget deficit and overcome regional economic blockades by extending collection of joint central and local taxes to include circulation and income taxes.

4. On the premises of balancing aggregate supply and demand and matching construction scale with affordability, we should establish an effective dual-level macroeconomic regulating system which can control total volume, prevent economic over-heating, and foster activism at the lower levels. This will include structural reform in planning, finance, taxation, and fiscal policies.

5. On the basis of labor and wage reform and an increase in national income, we should establish a social security system and an unemployment compensation plan, actively promote housing reform, and redirect a portion of consumption funds into construction funds.

As for implementation, it is most important that during the initial period of the Eighth Five-Year Plan we perfect current reform measures and proceed with those necessary, low-risk reforms that yield good results. Meanwhile, it is desirable to conduct good surveys and studies as well as experiments in test cities and then make coordinated progress during the middle and latter periods of the plan.

### Li Yining Comments on Economic Situation

91CE0072A Taipei TIEN HSIA [COMMONWEALTH] in Chinese No 113, 1 Oct 90, pp 96, 98

[Article by Lin I-ling (2651 1942 3781): "Society Vibrant Only When Economy Is Lively. Beijing University Professor Li Yining (2980 0110 1337). Whose Proposal for a 'Tax and Profit Sharing' System Has Caused Much Discussion, Gives Views on Whether Reform and Opening to the Outside World Will Regress Following the Mainland Economic Decline in the Wake of 4 June (1989)"]

[Text] [Lin I-ling] What is the greatest difficulty with the Chinese mainland economy, and how can it be resolved?

[Li Yining] I believe that the only way to get out of its economic difficulties is for China to accelerate economic reform; otherwise, it is only alleviating the symptoms rather than solving the problem. The austerity policies adopted several times in the past did not stem inflation. Furthermore, fiscal problems and employment problems were not solved. Since austerity can only be used for emergencies, it cannot solve the root causes of problems.

Today, it is not possible for the mainland to think about returning to the old road, abandoning reform and opening to the outside world. Unless the peasants are herded back into communes (and this is also impossible because the family output-related contract system is firmly implanted in people's minds), or unless the mainland returns to the quota system, issuing all sorts of

coupons (and this is also impossible because the people's standard of living has improved, and the regime cannot run counter to events).

### Need To Enliven Enterprises

The biggest problem in China today is government finances. Without pervasive reforms, enterprises will lose money, economic returns will be low, and the government will have no tax receipts. All it can do is issue banknotes. If it constantly issues banknotes, inflation is bound to become worse.

Therefore, enterprises must be enlivened, and even negotiable securities exchanges should be developed. In addition, the government financial system has to be reformed. Government finances cannot be contracted. The right way of doing things has to be the adoption of "tax and profit sharing," meaning that the government and enterprises have to contract the sharing of taxes and profits, taxes going to the government, and profits going to investors (possibly including government, state-owned enterprises, or individuals). This is the only way to increase enterprises' enthusiasm.

Furthermore, there has to be a "tax sharing system" between the central and local governments that sets the kinds of taxes, e.g., income taxes or added value taxes going to the central government and business taxes going to local governments. Alternatively all taxes should be divided between the central and local governments. This would make both parties more enthusiastic.

However, before the adoption of "tax and profit sharing," it is necessary to define who is an investor. It is necessary to make clear who the main investor groups are, and to set investment ratios as the only way of moving toward a stock share system based on investment shares.

[Lin I-hing] Do you think that the current leaders will be able to accept such reform recommendations?

[Li Yining] I think they might accept them, because these reforms are still founded largely on the public ownership system; they are "reforms within the organizational system."

[Lin I-hing] How big is the national fiscal deficit now? And what are the most important reasons?

[Li Yining] Very big. The national budget is approximately 8 billion yuan renminbi (which is more than NT\$30 billion). The main financial problem today is that one-third of government revenues are used for subsidies of various kinds such as price subsidies, housing subsidies, grain subsidies, the subsidization of enterprise losses, foreign trade subsidies... At this rate, there is nothing to spare.

[Lin I-hing] The CPC Central Committee has recently begun to devise the Eighth Five-Year Plan to be put into effect in 1991. What are your thoughts about the Eighth Five-Year Plan?

### Problems in the Eight Five-Year Plan

[Li Yining] The Eighth Five-Year Plan contains three problems that have to be solved. The first is how high the speed of economic growth should be set. Should it be five, six, or seven percent? Different speeds of growth mean a different plan make-up.

The second is how much the people's real income is to increase each year over the next five years. Should it be two percent or three percent? This figure must take inflation into account, because this has a bearing on the level at which prices have to be controlled.

The third is how the industrial structure will have to be readjusted in order to realize this economic growth rate. Should the emphasis be on heavy industry or on light industry? What should be the ratio between agriculture and industry? Actually, figuring a reasonable ratio is not difficult in theory. The difficulty is that if the present ratio of industry is not consistent with the rational ratio requirements in the plan, how should the ratio be changed? This will entail a readjustment of the industrial structure, and this is most difficult. First, the employment (unemployment) problem will have to be faced.

[Lin I-hing] Reportedly, much irrational and unbalanced regionalism has occurred under the present contracting system as each jurisdiction strives to meet its percentage of payments to be made to higher authority.

[Li Yining] The economic problems today differ from those during the past period of shortages. Today, supply is greater than demand; a lot of goods are available, and the initiative is in the hands of consumers. If consumers won't buy, you cannot make them buy. As a result, the market has slumped, and the market slump is attributable to four main reasons: 1) curtailment of investment in capital construction; 2) curtailment of the purchasing power of social groups (public agencies); 3) changes in residents' expectations, including uncertainty about future earnings and the expectation that prices will fall over the long-term; 4) a flood of inferior goods, substandard goods, and not very good quality.

Consequently, each jurisdiction has adopted three countermeasures for dealing with the present economic difficulties. First is local walling off, whereby shops in the province are permitted to sell only products made in factories in the province; otherwise, all sorts of restrictions are imposed. Second is matching, meaning that when one article is purchased, another three slow-selling products in oversupply have to be purchased. Third, the state makes purchases, but state procurement of goods for reserves is necessarily limited and amounts to transferring goods from one warehouse to another.

Such local walling off is harmful in three ways: 1) The whole country is cut up into many separate markets. This means that goods do not flow smoothly, that backward

techniques are protected, and that there is no competition. 2) Consumers lose. They cannot buy fine quality products from elsewhere. 3) Resources are not used in rational ways.

**China's Hope Lies in Reform** I believe that all these problems ultimately come down to the need to accelerate reform, to shape a competition mechanism as quickly as possible, and not prop up enterprises on the verge of bankruptcy. I believe that reform offers a way out for the economy; without reform, there is no way out. China's hope lies in reform. Without reform, it will be impossible to maintain even the status quo.

[Lin I-ling] What do you see as possibilities for the development of economic relations and trade between both sides of the strait? In what direction and what methods do you think should develop?

[Li Yining] From our point of view, naturally I hope that Taiwan will invest more. First, emotionally, this is our homeland after all. Then too, the mainland environment offers very many advantages such as low wages and abundant energy and raw materials. Furthermore, trade can increase mutual understanding. After separation for so many years, economic investment and trade, and more contact back and forth is a fine thing.

[Lin I-ling] Why do you believe that increased understanding is a good thing? Might not increased understanding cause increased separation?

[Li Yining] I feel that greater understanding is always better than no understanding. Once there is understanding, closeness or distance may occur; however, without understanding, not even the possibility of closeness exists.

[Lin I-ling] What do you feel are the effects of economic difficulties on social stability, daily life, and culture on the mainland?

[Li Yining] First of all government finances have a direct effect on the government revenue problem. Second, they affect employment. If the job problem is not solved, even social stability is affected. Third is the effect on the popular psychology. If workers have no work to do, they lose faith in society. They can only live from day to day; they have nothing to strive for. Only when the economy is alive with everyone working with all their might can society be vibrant. Nowadays when people go to work, there is nothing for them to do. They play cards, chat, and do nothing to find new techniques. This has too great an adverse effect. "Morale should be boosted, not dampened." So, the market slump is no small thing, it must be improved.

## PROVINCIAL

### Anhui Holds Meeting on Financial Problems

OW 2710054090 *Hebei ANHUI RIBAO in Chinese*  
20 Oct 90 p 1

[Text] The provincial government held a provincial telephone conference on the evening of 18 October to increase revenues and retrench expenditures. The conference called on governments and departments at all levels to take immediate action to do a good job in increasing revenues and retrenching expenditures in the next few months and to work hard to fulfill this year's financial and budgetary plans this year.

The current financial situation in Anhui is very grim. From January to September, the province's revenue came to 3.45 billion yuan, only about 63.44 percent of the annual budget. This is a 9.6 percentage points behind the planned schedule, equivalent to the revenue of a month and more. Revenues of the nine cities directly under the jurisdiction of the province, as the financial pillar of the entire province, were far from satisfactory. Compared with the same period of last year—except for Maanshan, Huannan, Huabei, and Huanshan cities whose revenues increased slightly—those of the five cities declined to varying degrees. In particular, the problems in the two cities of Wuhu and Bengbu were quite serious because they only completed 45 percent of the annual budget. Regular income from the production and circulation spheres increased very slowly or declined slightly. From January to September, industrial and commercial tax increased only 1.42 percent; income of enterprises registered a negative growth of 233 million yuan, adding to the deficit by 114 million yuan. Failure to deliver taxes and profits by enterprises was very serious. By the end of September, enterprises owed the state 600 million in taxes and 110 million in profits, directly affecting provincial revenue.

At the conference, Vice Governor Shao Ming analyzed the reasons for the bad revenue situation: The passive situation in the production of industrial products and in their marketing has not been completely reversed; failure to boost production and sales of manufactured goods made it difficult to increase revenues; the economic efficiency of state-owned enterprises continues to decline, and funds at the disposal of enterprises are being used irrationally. By the end of September, the capital tied up in the finished products of state-owned industrial enterprises throughout the province amounted to 3.09 billion yuan, an increase of 44 percent over the same period of last year. Industrial and commercial enterprises had to pay more interests because of the excessive storage expenses. Grain enterprises paid 290 million in interest so far. At the same time, the increase in expenditures had far exceeded the increase in revenue throughout the province.

Shao Ming said: There are fewer than three months left before the end of this year. To fulfill the annual revenue plan, we must collect about 600 million yuan of revenue



each month from now on. Our task is very heavy. He made the following suggestions:

It is necessary to unify our thinking and strengthen our leadership. Mayors, prefectural commissioners, and county heads personally should oversee financial and taxation work. Cities directly under the jurisdiction of the provincial government must fulfill their delivery quotas regardless of whether their revenue collection plans are fulfilled. If their revenue fails to reach the prescribed rate of progressive increase, they should make up for the deficiencies by their own financial resources.

It is necessary further to stimulate the market to promote economic development. At present, the key to boosting economic development and increasing revenues in our province still lies in the solution to the problem of a slump market. The fourth quarter of the year is a period of brisk sales for commodities. Commercial departments should seize this opportunity to buy more and sell more. State-run commercial enterprises and supply and marketing cooperatives should play their role as the main channel; vigorously open up urban and rural markets; conscientiously do a good job in purchasing grain, cotton, and other farm and sideline products; arrange shipping practical industrial products to rural areas; and encourage peasants to store up more means of production such as chemical fertilizer and farm insecticide. Industrial production departments should readjust the mix of products and raise the quality of products. All trades and professions should strive to increase production and boost sales to lay the foundation for increasing revenues.

It is necessary to improve enterprise management, reduce losses, increase profits, and raise economic efficiency. No one should cover over problems in enterprise management by blaming them on the slump market. Contracting enterprises should carry out strictly the provisions of the contract. If they fail to make deliveries according to the contract, they should make up for the deficiencies by using their own funds according to the provisions of the contract. The financial department will not subsidize enterprises whose deficits exceed the planned amount.

It is necessary to strengthen the collection and management of revenues and handle financial and taxation affairs according to law. Tax collectors should pay attention to all types of taxes, both minor and major ones. They should use the minor taxes to supplement the major ones and to prevent tax evasion. It is necessary earnestly to carry out a general inspection of taxation, financial affairs, and prices. It is necessary to eliminate resolutely the unauthorized reductions and exemptions of taxes. Tax collection should be restored following the expiration of the period for tax reductions and exemptions. Plans for liquidating debts should be drawn up, and specialized personnel should be assigned to collect debts.

It is necessary strictly to control expenditure to achieve a balance between revenue and expenditure. In the fourth quarter of the year, all other expenses should be reduced as much as possible, except expenses for the payment of wages and for the handling of legal cases. The number of meetings should be reduced drastically, and meeting expenses should also be cut down. At the same time, it is necessary earnestly to grasp the work of bringing purchasing power under control to ensure that institutional purchasing power will not exceed the last year's level.

Shao Ming said: Henceforth, the 1990 revenue and expenditure will be used as the base figure no matter how the financial structure is modified. Thus, various localities will not have to worry that it is to their disadvantage if they collect more revenues. They must collect all revenues that should be collected.

Attending the telephone conference were mayors, prefectural commissioners, and county heads; comrades from finance and tax departments, banks, economic commissions, and planning commissions of various cities, prefectures, and counties; as well as responsible comrades of the relevant departments directly under the provincial government. The conference was presided over by Chen Jiyu, secretary general of the provincial government.

### Guizhou Industrial Production Up

HK1610013790 Guiyang, Guizhou Provincial Service  
in Mandarin 2300 GMT 8 Oct 90

[Text] According to the survey and analysis by the industrial and transportation section of the provincial statistics bureau, industrial output value at and above village level totaled 1.694 billion yuan in September, up 7.3 percent over the previous month and 4.7 percent over the same month last year.

The aggregate industrial output value from January through September is 13.61 billion yuan, up three percent over the same period last year.

The industrial production in September is characterized by the following features:

1. The growth rate of light industry overtook that of heavy industry by 0.6 percentage points, a rare case in recent years. This shows that the adjustment to the industrial structure in our province has made some progress.
2. Collective industry increased by 7.7 percent over the same period last year, but the growth rate of industry under ownership by the whole people stayed at the low level of around one percent.
3. Industry in prefectures and cities has maintained a stable growth.

In its analysis, the provincial statistics bureau holds that though the industrial output value in the first nine months of this year is higher than that in the same period



last year, it only constitutes 70.5 percent of this year's target amount, 4.9 percentage points behind the scheduled rate of progress. This adds to the difficulty in fulfilling the all-year target.

Meanwhile, the factors checking the development of industrial production have not substantially changed and the economic benefit of industry remains unimproved.

In order to guarantee the fulfillment of the all-year plan, the provincial statistics bureau suggests that authorities at various levels and all departments concerned first further strengthen their leadership over industrial production, step up coordination and guidance, implement as soon as possible the relevant measures proposed by the central and provincial authorities, and create a relatively relaxed environment for enterprises, so as to make possible a rapid growth of industrial production in the last three months of this year and fulfill the all-year target of six percent growth.

Second, it is necessary to take further steps to activate the market and, through this, promote production. That is to say, we should open up the market, expand sales, and promote production. The key to opening up the market still lies in the effort to adjust product mix, enhance the quality of products, and increase the production of those having a ready market.

### **Hebei Vice Governor Views Economic Performance**

SK1710084190 Shijiazhuang HEBEI RIBAO  
in Chinese 28 Aug 90 p 2

[“Excerpts” of speech given by Song Shuhua, vice governor of Hebei Province, at the provincial industrial production and communications work conference on 26 August: “Unify Thinking, Raise Spirits, and Make Concerted Efforts To Achieve Success in the Province’s Industrial Production and Communications Work.”]

### **[Excerpts] Correctly Understand the Province’s Current Situation in Industrial Production and Communications Work**

Hebei’s industrial production and communications work have encountered numerous difficulties since the beginning of 1990. Affected by the sluggish market and fund shortages, some enterprises were operated under capacity, and industrial production experienced a downturn at the beginning of 1990. Industrial production began to pick up in March. There were four characteristics of Hebei’s industrial production. First, the production growth rate picked up slowly. Second, the production of energy sources, raw materials and other products of basic industry, and those of readily marketable daily necessities for the people and products in support of agriculture were carried out fairly successfully. Third, the number of the enterprises which had suspended their production totally or partially declined. Fourth, the rates at which of income from sales of products decreased,

profits were created, taxes and profits were turned over to higher authorities, and other major economic figures were reduced gradually.

The problems currently facing our province’s industrial production and communications work are also very obvious. First, the sluggish market and overstocked products have yet to be notably improved. Second, urban and rural savings sharply increased, and the supply of circulating enterprise funds are strained. Third, the external environment and internal management of enterprises need to be improved urgently. Due to fairly high amounts of numerous taxes and fees, high interest loans, arbitrary imposition of financial and other quotas on enterprises, and a low depreciation rate, enterprises shoulder heavy burdens and lack the vigor and strength for sustained development. Fourth, economic returns decline and the deficits of enterprises increase. Judging the overall situation of the province, we should say that the industrial production and communications work of our province is now getting out of the slump, and a favorable turn begins to appear in the entire economic situation. However, the economic operation is still weak, which is reflected in shortages of funds resulting from the sluggish market. Inadequate demands, both for production and daily necessities, are the reasons for the sluggish market.

In view of the current situation, we should, first, face up to difficulties to enhance our sense of urgency and responsibility. Second, we should analyze difficulties in a scientific manner to unify our thinking, work out specific measures and clarify our work tasks. Third, we should have the courage to overcome difficulties to promote the work in various fields continuously. In the face of these difficulties, governments at various levels, all pertinent departments, and leading comrades and the vast number of staff members and workers of industrial and mining enterprises should have a good mental attitude, indomitable spirit and down-to-earth work style, enhance confidence, brave the difficulties to make progress, and push our province’s industrial production and communications work forward with a concerted effort.

### **Carry Out the Industrial Production and Communications Work for the Next Few Months in a Down-to-Earth Manner**

The province’s current situation in industrial production and communications work is still very grim. To fulfill the plan for increasing the annual industrial production by 6 to 7 percent, as set forth by the provincial party committee and government, and the target for the industrial enterprises at and above the township level to create 4.75 billion yuan in output value every month in the last four months of this year, our tasks remain very arduous. At present, we should focus on six areas of work.

1. We should adopt effective measures to further invigorate the market

A. We should increase the investment in fixed assets to an appropriate extent, and further invigorate the market

for means of production. Banks should allocate to our province in full amounts and in a timely manner the investment in capital construction and the loans for technical transformation approved by the state. Projects under construction should be accelerated so that they can be completed and put into operation on schedule. Projects that have been completed but have not been put into operation, and those which have been put into operation but have not reached the designed production capacity should have their auxiliary work completed at an early date so that they can go into operation or reach their designed capacity as soon as possible. The construction projects, as a form of relief funds, should be organized actively, and plans for them should be worked out one by one at every level.

B. We should further develop the role of state commercial, supply and marketing departments as the major channels for storing, purchasing, selling and distributing commodities. Commercial departments should actively purchase the industrial goods produced by the province, keep a rational stock of them, and reduce the stockpile of goods. Meanwhile, we should take advantage of the brisk sales season after autumn harvest to greatly strengthen marketing work.

C. We should strengthen the cooperation between industrial and commercial departments in various forms, such as joint operation and marketing, retail or wholesale, on a commission basis, and establishing links between plants and shops. Industrial and commercial departments should work out measures, such as lowering their profits, to promote the sales of overstocked goods. Installment payment may be applied to unsalable and overstocked goods, and prices of the commodities which have been stockpiled for a long period of time, and are unsalable, damaged or substandard may be reduced. After approval, the prices of some products should be adjusted higher or lower in order to regulate the market through prices.

D. We should encourage enterprises to actively sell their products. We should continue and improve the purchasing and marketing responsibility system with "five quotas and one contract" as the major content to boost the enthusiasm of marketing personnel and greatly promote sales of the products of enterprises.

E. We should give full play to the role of the various channels for the distribution of goods, and support and encourage collective and individual industrial and commercial households to do business according to law in order to invigorate the market.

F. We should conscientiously make inventory of and reduce the goods in stock. Products and commodities stockpiled for more than one year should be disposed of within a fixed time. Banks will not recall the loans from enterprises for their funds recovered from disposal of overstocked goods. Losses of enterprises caused by disposal of overstocked goods within the fixed time may be included in the production cost after they are examined

by the pertinent departments and verified and approved by financial and tax departments. Enterprises which suffer deficits due to such a reason may be treated differently than loss-making enterprises in the issuance of bank loans and bonuses. If enterprises fail to dispose of the overstocked goods within the fixed time, more interest will be collected from the loans tied up in the overstocked goods, and the increased amount of interest will be collected from the after-tax profits instead of included in the production cost.

G. Pertinent departments should purchase the fixed quotas of the products under special control. If they fail to do so on schedule, enterprises are permitted to sell for themselves the goods stockpiled due to such a reason.

H. We should greatly open up rural and international markets. We should adopt various measures, such as sales exhibitions, fairs and delivery of goods to rural areas, to strengthen the sales of industrial goods, and conduct exchange of industrial goods for farm and sideline products in an organized manner. Foreign trade department should actively purchase locally produced industrial goods and strive to expand their export.

I. We should properly relax the control over the commodities whose purchases have been put under control. Administrative organs and industrial and mining enterprises should be treated differently in this aspect, with the purchases conducted by the former controlled strictly and those by the latter properly relaxed. Control should be properly relaxed over the purchases of typewriters, duplicators and facsimile machines which help raise work quality and efficiency, color television sets and refrigerators newly purchased or purchased to replace the old ones by tourist hotels for business use, the motor vehicles within the purchasing quotas and those to replace the old ones that have been compelled to be scrapped, and the motor vehicles, motorcycles and duplicators produced by the province purchased by units responsible for their own profits and expenses.

J. Enterprises should actively adjust their product mix according to the industrial policy of the state and changes of the market, improve the quality and increase the variety of their products, enhance their competitive ability, and never again produce the products that nobody wants to buy.

2. We should adopt all possible means to promote a stable economic development.

Strained supplies of funds remain an important factor restricting the current economic development. Therefore, collecting more funds through all possible means is a pressing task. We should do a good job in clearing debts and guard against the practice of repaying debts to some and borrowing money from others simultaneously. We should actively report our situation to the head offices of banks, and strive to win more funds. The people's bank of the province should flexibly adjust the scale of loans and funds of the province, and specialized banks should

support some projects under construction according to established priorities. [passage omitted]

3. We should seize the opportunity of the economic improvement and rectification to facilitate the adjustment of product mix.

We should step up efforts to improve the provincial plan for the adjustment of product mix. We should coordinate this adjustment plan with the Eighth Five-Year Plan to meet the needs of the overall adjustment plan of the province. We should pay attention to the study and formulation of supporting policies and measures for the adjustment. We should pay attention to the market information to revise, supplement and improve the plan in a timely manner. Products that should be developed on a priority basis should be supported with all-out efforts. Production of the products that should be eliminated according to decisions should be stopped with a firm determination. Ordinary enterprises should also adjust their product mix to meet the changes of the market. [passage omitted]

4. We should deepen enterprise reform, and persist in and improve the enterprise contract system.

Persisting in and improving the enterprise contract system is an important content of the current endeavor to deepen enterprise reform, and an important measure to stabilize enterprise and then the economy. We should pay close attention to the coordination between the two rounds of contracting, and accelerating the second round. Meanwhile, we should continue to maintain the stability and continuity of the policies on enterprise reform, continue to persist in the director responsibility system, and correctly handle the relationship among the party committees, administrative bodies, trade unions and the Communist Youth League organizations of enterprises to enable them to pool efforts and work in close coordination.

5. We should carry out in-depth campaign for increasing production, practicing economy, increasing revenues and reducing expenditures, and create more economic returns through improved management and technology.

All enterprises should regard reduction of energy and material consumption as the focus of the campaign, and greatly promote the method of management by objective and cost. We should encourage the vast number of staff members and workers to popularize new technology, adopt new methods, strengthen management, check waste and adopt all possible means to reduce production cost and increase economic returns. We should continue comprehensive quality control, and greatly improve product quality. [passage omitted]

6. We should strengthen leadership over industrial production and communications work, and strengthen management of production.

Leading comrades at various levels and pertinent departments should firmly embrace the idea of taking economic construction as the central task, earnestly serve grass-roots enterprises, conscientiously change their work styles, attend fewer meetings and go down to the grass roots more often. They should issue fewer documents and pay more attention to the implementation of documents. They should give fewer empty tasks and carry out more practical work. They should be determined to free themselves from routine work and go to the forefront of production to give heed to the voice of workers, study the problems of enterprises, help them eliminate difficulties with utmost efforts and carry out some practical work for enterprises in a down-to-earth manner. They should strengthen management of production, improve the system of it, give it some power and establish its authority to ensure that major issues can be managed and resolved. They should strengthen the forecast of production and information, further study economic theories and business, intensify investigations and study, pay attention to quantitative analysis, and improve their ability to manage, direct and make policies for industrial production. Contradictions are many and tasks arduous for our province's industrial production and communications work this year. Let us raise spirits and go all out to make positive contributions to successfully fulfilling the various production tasks and promoting Hebei's economic development.

#### **Key Construction Projects Proceed Well in Heilongjiang**

SK1910045390 Harbin Heilongjiang Provincial Service  
in Mandarin 2200 GMT 18 Oct 90

[Text] According to information obtained by our reporter from the provincial capital construction work conference, which ended on 18 October, during the period of the Seventh Five-Year Plan, the province regards agriculture, energy resources, communications, raw materials, science, technology, and education as the priorities of the economic development strategy. For this, the province planned to build 107 key projects in these aspects, and 12.6 billion yuan of investment was projected, accounting for 40.6 percent of the province's total investment in capital construction. Thus far, 53 of these key projects have been totally commissioned and completed, and 16 have been completed as individual pieces, thus effecting a marked change in the province's economic and production setup.

The conference pointed out: There are also some problems in the province's construction of key projects. Major indicators are the serious shortage of funds, the serious above-budget construction, the confused order in construction, and the poor returns from investment.



### Sun Weiben Reviews Heilongjiang Economic Structure

91CE0028A Beijing JINGJI RIBAO in Chinese  
20 Sep 90 p 2

[Article by Sun Weiben (1327 4850 2609), secretary, Heilongjiang Provincial CCP Committee: "Hasten Economic Structural Readjustment To Push Forward the Rational Circulation and Optimal Composition of Production Factors"]

[Text] *Editor's note: Readjusting the structure and improving efficiency represent the present focus of improvement and rectification work. In its attempt to make progress in structural readjustment, Heilongjiang has in recent years, while it was accomplishing incremental readjustment, achieved some good results in its useful explorations with respect to inventory readjustment. Comrades from the state committee for structural reform recently fully affirmed the province's methods and at the same time called on the various localities to move the work of circulating production factors to a new stage. It is for this reason that this newspaper has invited Heilongjiang Provincial CCP Committee Secretary Sun Weiben to write this article. [end of editor's note]*

At the end of 1988, our Heilongjiang provincial party committee, in laying out its economic work, set forth the following: "In resolving structural readjustment problems during improvement and rectification and deepening of reform, we can genuinely implement the policies of improvement and rectification from top to bottom while exerting pressure and maintaining safeguards and at the same time ensure that economic construction advances on the track of stable growth and a sound cycle of economic activity. And we can also invigorate the microeconomy while ensuring proportional macroeconomic coordination. This constitutes the integration of reform, improvement and rectification, and growth and represents our hope for vigorously developing Heilongjiang."

But where do we begin with structural readjustment? After we carried out local surveys and analyzed the entire area, we felt we were facing three distinct contradictions. First, there is the contradiction between the "bottleneck" of basic industry and the serious lack of investment increases. A more than 20 percent gap in electric power in the province, an approximate 15 percent gap in transport, and with only three percent of our steel products being produced by ourselves have led to our enterprises working a third under capacity. However, based on the amount of investment allowed under retrenchment, even though not one new project is to be started, we have to go four more years before we can finish the projects that are within the local budget. There are not now many things that can be done with respect to incremental readjustments. Second, there is the contradiction between large-scale organization and poor efficiency. It is fairly widespread for an industry to have both strong and weak points and the simultaneous existence of a surplus and deficiency of production factors.

There is indeed a great deal that can be accomplished with respect to inventory readjustment and the intensive tapping of potential. Third, there is the contradiction between retrenchment readjustments and social stability. Making up approximately one quarter of the total number of enterprises, those which are overdeveloped and operating at a loss are not only moribund themselves, they are also bringing extreme pressure to bear on a vast number of the sales of underdeveloped and profit-producing enterprises. This is affecting the normal conduct of social reproduction in its entirety. The past practice during inventory readjustments of widespread closures or enterprises suspending their operations and cutting back on workers and staff personnel will not do this time. The logical choice in facing up to the three contradictions would be to make the rational circulation and optimal composition of inventory factors the starting point for readjusting the structure and, by means of an optimal composition of production factors, promote the realization of improvement and rectification from top to bottom while exerting pressure and maintaining safeguards, promote the deepening of economic reform, and promote economic growth under conditions of investment retrenchment.

It was based precisely on this understanding that the provincial party committee and provincial government took the circulation of production factors as the point of integration for improvement and rectification, reform, and growth, thereby setting forth a major program for economic work. For more than a year now, the principle work that we have undertaken in this regard has been as follows.

First, by strengthening leadership, we have, in an organized, planned, and step-by-step manner promoted the circulation of production factors. In April 1989, the provincial party committee and provincial government formulated the "Temporary Provisions Concerning Certain Problems Associated With the Rational Circulation and Optimal Composition of Production Factors," and breaking down the overall tasks for the entire province among the leaders at the various levels and the departments in charge of comprehensive management, established a system of job responsibilities with 43 specific targets. The majority of the localities and cities throughout the province have formed work systems which involve their principle leaders and which are the main responsibility of the departments in charge of comprehensive management and are implemented by the departments in charge. At present, there are more than 30 of them completed or basically completed. In July 1989, to provide a basis for advancing in an orderly manner the circulation of production factors and structural readjustment, the province also formulated the "Heilongjiang Provincial Program for Readjusting Industrial Structure During the Eighth Five-Year Plan and in the Next Decade" (draft) and the "Heilongjiang Provincial Programmatic Outline for Readjusting Industrial Organization."

Second, by formulating coordinated policies that have as their nucleus the regional industrial policies, we have guaranteed the rational circulation of production factors. Acting on the principle of serving the general interests and bringing into play our advantages, we have formulated an industrial policy involving the "one affect (electric power) and four linkages (the petro-chemical industry, food and textiles, machine building, and construction materials)." At the end of 1989, we again reordered the sequence of Heilongjiang's industrial and product growth in accordance with state industrial policies, and one after the other brought out policies for replacing and eliminating products, for leveraging and inclination, for destroying barriers between higher and lower levels and between different departments or regions, and for supporting enterprise mergers and policy measures for organizing and building enterprise groups.

Third, by strengthening technical transformations and with only a minimum increase in funds, we started up the circulation and reorganization of a relatively large number of inventory factors. In the last four years Jixi City used 79 percent of its industrial investment for technical transformations. Essentially, the city did not build any new enterprises or put any into operation. Nevertheless, its industrial profits tax increased 1.7-fold and the income of the financial administration doubled. In summing up and disseminating their experience, we ask that the province shift its emphasis from the rigid approach of using funds to get started to the flexible approach of using science and technology to get started and to change its emphasis on an extensive style of capital construction to an intensive style of transformation and that the province bring about a high-level optimal composition of production factors which were originally of idle or low-level composition by focusing on key enterprises, critical equipment, and technical processes after they have been transformed. In 1989, the province's raw and processed materials industry used 82 percent of its investment for the technical transformation of key enterprises. Through mergers and joint shares, it absorbed and transformed a large quantity of idle equipment of inferior enterprises, thereby bringing about a relatively large upswing in the production capacity of important raw and processed materials. For example, pig iron increased 11.6 percent, ethylene 24.1 percent, and plastics 16.1 percent.

Fourth, by putting into effect a policy of "connecting with the South and opening to the North," we promoted a vast domestic and foreign market for production factors. We emphasized the usefulness of Heilongjiang opening windows and passageways to the Soviet Union and East Europe. Using the opening to the North, we attracted the South, and using the connection with the South, we promoted the opening to the North. In 1989, there were 4,120 individual enterprises in the province which effected domestic horizontal connections and joint share management. These enterprises introduced and accommodated 450 million yuan in funds and 1.2

billion yuan in goods and materials cooperation, thereby realizing 1.44 billion yuan in output value by means of these connections and profit taxes of 280 million yuan. At the same time, we actively took part in the international division of labor and exchanges, and while continuing to promote an opening to the West, actively developed economic trade cooperation with the Soviet Union. In 1989, our trade with the Soviet Union increased 2-fold, economic and technical cooperation with them in monetary terms increased more than 6-fold, and our export of labor service personnel to them increased 8-fold. Heilongjiang production factors such as its labor, technology, and equipment have begun to penetrate the Soviet Union's Far Eastern market. During the first half of 1990, border trade goods doubled compared with the same period in 1989, and cooperation in monetary terms increased 70 percent compared with the whole of 1989. Recently in Harbin, China held its first trade talks with the Soviet Union and East European countries. Heilongjiang had originally planned to conclude deals worth 200 million in Swiss francs. We actually made deals worth 1.36 billion Swiss francs. A doubling of trade volume compared to 1989 revealed to us the vast prospects of promoting transnational circulation of production factors.

After more than a year of work, we have achieved initial success in the circulation and composition of production factors throughout the province. With enterprise mergers alone we were able to obtain for rational use 830 million yuan in assets, 1,740 sets of equipment, more than 5.9 million square meters of ground space, and 1.43 million square meters of plant and building space. Risky loans in the amount of 110 million yuan were rendered safe, and 13,000 workers and staff personnel were arranged for appropriately. More importantly, we gave impetus to economic structural readjustment. First, production factor circulation went from products in little demand to products in great demand, thereby optimizing the product mix. In 1989, Heilongjiang developed 1,168 new products, and in 1990 we already have implemented plans for developing 1,090 new products. In mergers of 100 individual enterprises and enterprise groups alone we have restricted and eliminated more than 170 mediocre, unsalable products. Second, production factor circulation went from inferior enterprises to superior enterprises, thereby giving impetus to readjustment of enterprise organization and structure. At present, 425 group enterprises and 1,001 individual enterprises have effected mergers. Ninety-three percent (240 individual enterprises) have gone from losing money to making a profit. More than 1,606 individual enterprises have organized into 213 enterprise groups, 52 of which are large-size groups. According to statistics from 100 enterprises that have merged and are taking part in a group, the profit tax rate on their funds in 1989—under conditions where there was no increase in investment—increased 23 percent compared with 1988. Third, production factor circulation went from limiting industrial growth to supporting key industries, thereby giving impetus to readjusting industrial structure. The

lagging growth that marked basic industry throughout the province began to be reversed. Industry increased 5.7 percent throughout the province in 1989, the output of crude oil was stable, unprocessed coal increased 8.9 percent, electric energy production increased 12.5 percent, volume of goods transported increased 14.6 percent, and agriculture—which has not suffered a severe disaster in several decades—achieved its fifth record harvest. And during 1990, basic industry has continued to sustain a growth rate that exceeds the level of industry overall.

The circulation and reorganization of production factors not only promote the growth of productive forces, they also give rise to changes in production relations and the superstructure, thereby leading to changes in the mix of ownership systems and property rights relationships as well as a renewal of concepts and structural reform. However, barriers between higher and lower levels and between different departments or regions, the blockade pattern of "serving meals to different diners from different pots," hardening of enterprise "immortality" mechanisms, distortion of price system guidance, weakening of the regulation and control of planning, and the one-sided course of market regulation raise serious obstacles and make it difficult getting started with the circulation of production factors and structural readjustment. We are now considering taking full advantage of a macroeconomic climate marked by a basic balance of aggregate supply and demand that improvement and rectification has formed and using substantive reform to push forward substantive readjustment. First, there is deepening of enterprise reform. We have to make property rights relationships explicit and strengthen the management of assets, step up the establishment of a social security system, then proceed to resolutely implementing a "bankruptcy law," and gradually establish enterprise mechanisms for assuming sole responsibility for profits and losses and for promoting the superior and eliminating the inferior, thereby creating microeconomic mechanisms and a social climate for the circulation of the property rights production factor. Second, there is acceleration of market development. We must firmly grasp the turning point of retrenchment, systematically and gradually promote price reform, and step up the development of the production factors market and property rights market, thereby step by step forming market mechanisms for the exchange of production factors at equal value according to the law of value, for fair competition, and for optimal allocation. Third, there is strengthening macroeconomic regulation and control. We must resolutely effect a separation of government and enterprise obligations in order to break through the barriers between higher and lower levels and between different departments or regions and to thereby achieve rational circulation. Having freed itself from the specific aspects of microeconomic activity, the government can use its full energies to effect macroeconomic regulation and control. It can then establish a system of macroeconomic regulations and control that constantly promotes factor circulation and structural optimization by

focusing on the thorough implementation of industrial policies and by conscientiously basing itself on the laws of value and utilizing these laws. In this way, we can shift structural readjustment from the initial stage of implementation and guidance to a new stage of combining the promotion of planning regulation and control with market mechanisms.

### **Inner Mongolia Rail-Sea Transport System Expands**

OW1010204590 Beijing XINHUA in English  
1510 GMT 10 Oct 90

[Text] Hohhot, October 10 (XINHUA)—The inland region of Inner Mongolia has established a rail-sea through transport system to expand its exports.

Local trade officials say that calcium carbide produced by the Baotou second chemical plant can now reach the user plant in Yokohama of Japan in 10 days using the through transport route. In the past, the transportation required more than three months.

Thanks to through transport, the Baotou second chemical plant earned 4.71 million U.S. dollars in the first nine months of this year. The plant had previously operated at loss because its products were stockpiled because of no market.

According to the arrangement between Tianjin port and Baotou, over 2,000 standard containers will be transported each year.

At present, import-export corporations in Inner Mongolia have joined the through transport program. Customs and commodity inspection departments have also provided special services to promote through transport.

### **Jilin Chemical Company Starts Operating Catalyst Cracker**

OW2710184390 Beijing XINHUA in English  
1522 GMT 27 Oct 90

[Text] Changchun, October 27 (XINHUA)—A catalyst cracker, which is designed to process 600,000 tons of heavy oil a year, was put into use today in the Jilin Chemical Company in northeast China's Jilin Province.

Designed by the Luoyang Designing Institute of the China Petrochemical Corporation, the device costs 120 million yuan.

The device is believed to be up to the advanced world standards in the 1980's.

### **Jilin Industrial Production Work Conference Held**

SK1310005790 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 11 Oct 90

[Text] It was learned from the provincial industrial production work conference that since the beginning of



this year, Jilin Province has conscientiously implemented the guidelines of the Fifth and Sixth Plenary Sessions of the 13th party Central Committee, paid attention to dealing with new situations and solving new problems emerging in economic work in the course of improvement, rectification, and deepening of reform, and enabled the economy of our province to improve amid difficulties. Industrial production is taking a turn for the better. First of all, inflation has been controlled. The general trend of the province's retail prices is stable and the prices have been slightly reduced. The prices of major commodities have been gradually reduced. The prices of food products are the lowest in recent years. The prices of expensive household electric appliances, durable consumer goods, and expensive clothing have been reduced to a large degree. From January to August, the general retail price level throughout the province increased by 3.3 percent over the same period last year. The annual general retail price level will be lower than the country's expected level of rise of seven percent. Second, an upturn has been seen in social demands. In order to implement the state policy on macroeconomic control and regulation, the provincial government has adopted policies on properly increasing production consumption, public consumption and social consumption in an effort to boost production. The product mix has been readjusted and enterprise organizational structural readjustment has witnessed a good start. The provincial government has worked out specific plans for structural readjustment in four areas, including products, enterprises, development, and the increase in quantity, given emphasis to supporting the production of 72 varieties of products, restricted the unplanned development of general processing industries, restricted or suspended the production of 150 high energy-consuming small enterprises, and achieved new progress in readjusting the enterprise organizational structure. Through developing cooperation and coordination, 99 enterprises have been saved. Foreign trade has been steadily developed. Particularly under the sluggish domestic market, many enterprises have looked for international markets to enable foreign export trade to improve.

The conference stressed: The most difficult problems of the economy have yet to be overcome and the economic situation has remained very severe. We must eliminate the wait-and-see attitude, do all we can, enhance our spirits, focus our work on raising economic results, and strive to make the industrial production in the fourth quarter rise steadily. Production management departments at all levels should take the initiative in carrying out management work, including the management of output value, purchases, and the reserve of materials and funds. It is necessary to create good external conditions for enterprise production through creative work. In October, the power departments should ensure that the whole province's power supply will reach 40 million kwh or more. In the fourth quarter, we should act in line with the general demand of the provincial authorities on grasping priorities to guarantee production, grasping the fulfillment of production quotas to guarantee economic

results, and grasping the work of the previous three quarters to guarantee momentum for future work. We should also fulfill 38 key technological transformation projects in the province, make these technological transformation projects create 1.2 billion yuan of additional output value and 250 million yuan of profits, and taxes and contribute to stabilizing the province's economic development.

### **Shaanxi Petrochemical Industry Develops Rapidly**

HK1710033590 Xian Shaanxi Provincial Service  
in Mandarin 0030 GMT 14 Oct 90

[Text] Since the founding of the republic, especially since the reform was introduced 10 years ago, the province's petrochemical industry has developed rapidly and has become a new large-scale industrial system complete in scope. Last year the system's gross output value reached 1.627 billion yuan, with realized profits and taxes amounting to 350 million yuan, hitting a record high. The gross output value for the January-July period totaled 996 million yuan, with realized profits and taxes working out at 163 million yuan, 13.2 and 10.7 percent increases respectively compared with the same period last year. On the eve of liberation, there were only four petrochemical enterprises across the province, which were backward technologically, with their fixed assets being worth less than 1 million yuan. After 41 years of hard work, the petrochemical industry across the province now possesses fixed assets with a net value of 1.99 billion yuan. There is a total of 175 petrochemical industrial enterprises at the county level. Eight major industries relating to oil extraction and refining; ore dressing; production of chemical fertilizers, chemical pesticide, basic chemical materials, synthetic materials, and rubber products, and mechanical processing have been built up. To meet the demands of economic development and the international market, the provincial petrochemical system has constantly regulated the industrial structure and product mix. At present the industry produces 2 million tonnes of chemical fertilizers, 351,100 tonnes of sulphuric acid, 90,000 tonnes of sodium carbonate, and 50,000 tonnes of caustic soda a year, with the products falling into 13 major categories and 1,000 varieties. Great achievements have been made in developing new techniques and products. During the decade-long reform major scientific and technological results were achieved in 80 projects, and 241 new products were developed, of which 93 were awarded provincial- or ministry-level prizes and three national-level prizes for their excellent quality, and 164 products were awarded the title of good-quality product by the provincial administration or above. The industry introduced five advanced techniques from abroad and then made almost all products using materials produced in China. Export has developed rapidly. In 1989, it exported over 30 petrochemical products, earning \$15 million in foreign exchange. In the meantime, the province's oil industry has also made good progress. The Shaanbei Oilfield increased its annual production from 820 tonnes in 1949 to 554,700 tonnes in 1989. The



province has also made a breakthrough in tapping natural gas in northern Shaanxi. By the end of last year, the province had a natural gas reserve totaling 8.55 billion cubic meters, offering a promising prospect for supplying natural gas for all families in old liberated areas, helping them to rid themselves of poverty and become prosperous. The province is capable of making all kinds of oil-prospecting equipment and related instruments, providing its products for other major oilfields throughout the country. The province has become the biggest production base for oil-prospecting machinery in China.

### **Shanghai Holds Urban Development, Planning Seminar**

*OW1210121690 Shanghai City Service in Mandarin  
1000 GMT 10 Oct 90*

[Text] About 30 Chinese experts and scholars on planning and construction gathered in Shanghai today for a seminar on urban development and planning in Shanghai.

According to a briefing by the sponsor of the seminar, the main items on the agenda are Shanghai's urban, transportation, and Pudong Area planning.

Vice Minister of Construction Zhou Ganzhi attended the seminar.

In his speech at the opening ceremony today, Vice Mayor Ni Tanzeng said, "Shanghai is a big city with complicated relations between its past and present. Its urban planning has lagged far behind the demands of its economic and social development. Since the implementation of the Shanghai Municipal Comprehensive Transportation plan in 1987, we have completed the first goal of conducting a general traffic survey and devising a formula for predicting traffic in Shanghai. As part of the second goal, we have compiled a draft outline for the Comprehensive Urban Transportation Plan. We have also cooperated with the World Bank in conducting a planning feasibility study on the north-south railway transportation system, the north-south traffic corridor, and other recently launched transportation projects in Shanghai. We have compiled outlines and proposals for the overall planning of Pudong, the Waigaoqiao Zone and Bonded Zone, the Jinqiao Industrial Zone, and the Pudong road transportation system. A plan for building the Ningpu Bridge is being drawn up and construction is expected to start next year."

Chinese specialists attending the Shanghai Urban Development and Planning Seminar will hear briefings on Shanghai's transportation plan and on Pudong. They will tour the Pudong area and observe traffic flow in downtown Shanghai. On the basis of discussions among themselves, the specialists will submit an agreed-upon policy suggestion to the Shanghai municipal government authorities.

### **Sichuan Industry Shows Good Monthly Growth**

*HK1510140290 Chengdu Sichuan Provincial Service  
in Mandarin 1015 GMT 13 Oct 90*

[Text] Party and government departments at various levels in our province have strengthened macroeconomic regulation and control on industrial production and implemented the policies and measures for activating the market, which brought about an all-round pickup in industrial production in September. The total industrial output value was 8.91 billion yuan, up 4.07 percent over the same period last year. Light and heavy industries grew side by side in September and the rate of growth was the highest since the second half of last year.

In September, the broad ranks of cadres, workers, and staff members in the industrial sector seized the opportune moment when the sales market was turning for the better and produced readily marketable goods to take to the market, putting an end to the depression of industrial production in our province and giving rise to a good tendency whereby the light and heavy industries grew respectively by 4.52 percent and 3.72 percent. The number of cities, prefectures, and autonomous prefectures where industrial production went up increased from 11 to 13.

Industrial production in Chengdu stopped its month by month slippage that had started since the beginning of this year and grew by 7.11 percent over the same period last year.

The production of energy, raw materials, and industrial products in support of agriculture maintained their tendency of growth; that of high- and medium-grade consumer goods, and light industrial and textile products showed a rapid growth as a result of market influence; that of electricity and oil grew by 7.96 percent and over 100 percent respectively; that of steels, coal, and fertilizers also increased by different rates; that of color television sets and motorcycles grew by 51.37 percent and 30 percent; that of silk, garment, and wines increased by big margins.

The production of machinery and electrical appliances, which had been in depression for two consecutive years, showed some vitality. The production of industrial boilers, automobiles, and steel ships for civil use increased by 9.92, 42.6, and 85.92 percent respectively.

Though the status quo of industrial production in our province is promising, the outlook allows no optimism. As the water-rich period is drawing to a close, enterprises will have to face shortages of energy supply. There is still some way to go to fulfill the provincial target of "ensuring four percent and striving for five percent" in industrial growth. All productive departments should take advantage of the present favorable market conditions and continue with their efforts to achieve more successes in production.

### Major Development Projects in Tibet Surveyed

OW1910102990 Beijing XINHUA Domestic Service  
in Chinese 0926 GMT 9 Oct 90

[National Day article by reporters Mou Fengling (3664 0023 0079) and Ren Weidong (0117 5398 2639): "The Third Wave—A Survey on Major Construction Projects in Tibet"]

[Excerpts] Lhasa, 9 Oct (XINHUA)—The modern history of Tibet has been one of continuous development in both the economy and civilization. Three great waves of development have appeared on the roof of the world within the short 40 years after Tibet's peaceful liberation: The Qinghai-Tibet Highway and the Sichuan-Tibet Highway simultaneously opened to traffic in 1954; 43 projects constructed with assistance from the inland provinces were successively completed in 1984; and construction of five major state projects has consecutively begun along the Yarlung Zangbo River in the past few years. [passage omitted]

The length of the river basin of the Yarlung Zangbo River with its tributaries, the Lhasa River and the Nianchu River, from east to west, which is close to 1,000 km, is Tibet's major agricultural zone. Grain production had not increased very much in these areas for many years, because of poor agricultural infrastructure. Currently, there are 1.51 million mu of arable land here, accounting for 45.5 percent of Tibet's total. There is great potential for development in this area in view of its more than 1 million mu of land which can be reclaimed or planted with forests and grass.

After over two years of study and technical verification, more than 50 experts of the Qinghai-Tibet Survey Team under the Chinese Academy of Sciences laid down more than 40 preliminary development projects in water resources, farming, energy, communications, and other areas, whose expected total investment was 577 million yuan. These plans were promptly approved and strongly supported by the State Council. [passage omitted]

Tibet's roads wind through high mountains and deep valleys, which are common in the Qinghai-Tibet Plateau. Locals and outsiders alike used to sigh about the difficulty of traveling in Tibet. But recently, truck drivers have been happily saying: "We shall have our own 'expressway' soon."

This "expressway" is the reconstructed section of the China-Nepal Highway, which will soon open to traffic. The maximum speed is 100 km per hour on the section of this third-class tarred road already open to traffic. [passage omitted]

In 1987, the state invested 100 million yuan to reconstruct the most dangerous section of this highway. The new 120-km section stretches along the Yarlung Zangbo River. It is flat and keeps away from high mountains. After the opening of this road to traffic, it will take only six or seven hours to travel from Lhasa to Xigaze. [passage omitted]

Lhasa's Gonggar Airport is the highest international civilian airport in the world. Since its completion in 1965, the airport has safely processed 1.5 million passengers.

Because of Tibet's development in all aspects, the current airport's capacity has become totally inadequate. The state has decided to invest 260 million yuan in the total renovation and expansion of the airport, building a new runway, 4,000 meters long and 60 meters wide, which will be the longest in China. After completion, Gonggar Airport will be able to handle landings and take-offs of large passenger and cargo planes, including Boeing 747's. The volume of freight and passengers transported, as well as the number of flights, will increase considerably.

Progress of the expansion project has been satisfactory since construction began in July this year. The new airport is expected to begin operation in August or September 1991 [passage omitted]

Policy makers of local industrial departments were often at their wits' end when facing the problem of coal and oil shortages on the "roof of the world." However, in recent years, the people have rekindled new hopes following the successive discoveries of deposits of nonferrous and rare metals in Tibet. The Luobusa Chromite Mine, which is situated in the lower reaches of the Yarlung Zangbo River, has been officially approved and appropriated funds by the state for construction, with a total investment of 54 million yuan. [passage omitted]

Tibet's industrial departments are viewing the construction of the Luobusa Chromite Mine as a turning point for promoting a vigorous development of local industries and mining in minority areas.

During interviews, the reporters learned from the responsible persons of some ministries and commissions of the State Council that the state will give special considerations to the development of major projects in Tibet, and fully support them in manpower, as well as financial and material resources.

### Six Deepwater Ports Completed in Yantai Harbor

SK1310060590 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 9 Oct 90

[Summary] The construction of the first-phase project which includes six 10,000-ton-class deepwater berths in Xigangchi in Yantai Harbor and is one of the key state projects during the Seventh Five Year Plan, was completed and passed the state acceptance test on 21 September. The Ministry of Communications and other departments concerned appraised this project and held that the construction quality was good and the designs of the main part of the wharf and the breakwater are satisfactory. It was learned that this project includes the expansion of six 15,000-ton-class to 30,000-ton-class deepwater berths for nonmetallic ores, sundry goods, chemical fertilizers, timber, and coal delivery. The

annual handling capacity of these berths is 3.9 million tons and the total investment is 420 million yuan. This brings the number of berths in Yantai Harbor to 20 and the annual handling capacity reached more than 10 million tons. Yantai Harbor thus entered the ranks of large harbors in the country.

## FINANCE, BANKING

### Growing Problem of Delinquent Tax Payment

91CE0015B Beijing JINGJI RIBAO in Chinese  
6 Sep 90 p 1

[Article by staff reporter Sun Yong (1327 0516): "Collection of Delinquent Taxes Concerns the Overall Economic Situation"]

[Text] According to information provided by the State Council's Joint Delinquent Tax Collection Leading Group on 4 September, delinquent taxes owed by enterprises, after being reduced in the past year, have been rising again month after month since the beginning of this year. As of the end of July, delinquent tax payments in the whole country rose by 84.6 percent from what they were at the beginning of the year. On this, State Councilor and concurrently Finance Minister Wang Bingqian pointed out emphatically that all localities and departments must pay attention to the collection of delinquent taxes as a major task in improving the economic environment and rectifying the economic order at present, strive to collect most of the delinquent taxes in the remaining four months of this year, and insure the fulfillment of the state budget.

At the first national work conference on collection of delinquent taxes, Wang Bingqian said: The implementation of the national budget from January through July this year failed to meet expectations. Domestic revenues increased by 11.6 percent over the same period last year, but domestic expenditures increased by 16.4 percent over the same period. Expenditures exceeded revenues by a margin rarely seen in many years. In the next few months, because there will continue to be many factors which will hinder revenue growth, and the rising trend of some expenditures will still be hard to control, the collection of delinquent taxes will be of great significance for narrowing the gap between revenues and expenditures, increasing production, and enhancing overall stability. It is a major task concerning the overall national economic situation.

According to analyses by people of the economic circles, enterprises owe more taxes this year mainly because of such adverse factors as low production growth rate, sluggish market, default between enterprises, shortage of funds, and so forth. As of the end of July, funds tied up by finished products of the country's industrial enterprises increased by 45.9 percent over the same period last year. With so much money tied up in finished

products, there is not enough working capital left, and the enterprises are using tax funds as working capital for production.

However, it should be noted that in some places the leadership has relaxed and hoped for the economic environment to change or policies to soften, which has encouraged delinquent tax payments. Some enterprises, proceeding from their own economic interests, have deliberately held back tax payments and even argued that "owing taxes is justified" and "owing taxes is beneficial." This has also adversely affected delinquent tax collection. Wang Bingqian severely criticized the behavior of those who use state tax funds to profit themselves in disregard of the overall interests of the state. He pointed out: Paying taxes according to law is an obligation every taxpayer must fulfill. Whatever difficulties there may be, attention must be paid first to paying taxes. No one is allowed to become delinquent in tax payment under any pretext.

In the past few months, default on payment for goods between some local enterprises has been reduced, but delinquency in tax payments has grown worse. In view of the situation, Wang Bingqian said: At present, the emphasis should be placed on both the settlement of outstanding accounts between enterprises and the collection of overdue taxes for the state. In settling the "debt chains" on goods among enterprises, the taxes included in the payments recovered should be turned over to the state promptly and in full. This is the only way to insure normal circulation of capital and proper control of state funds.

### Economist Discusses Monetary Policies, Economic Situation

91CE0015A Beijing JINRONG SHIBAO in Chinese  
11 Sep 90 p 3

[Article by Wang Changming (3769 7022 2494): "On the Role of the Monetary Policy in the Current Economic Situation"]

[Text] Since the latter half of the past year, the national economy has been in trouble because economic growth is slowed down by industrial stagnation. Therefore, the emphasis of macroeconomic work has shifted from controlling inflation to stimulating economic growth. How big a role can the monetary policy play in the current economic situation? This important question must be made clear for it has a bearing on whether we can do a good job in the current macrofinancial work. The question involves the following points.

1. Will an increase in money supply stimulate the immediate demand? It is common knowledge that the monetary policy is a major means to control social demand. By determining the amount of money supply in a given period, it also determines the total social demand for the same period. However, it has no decisive effect on the level of immediate demand, which is determined by what and when those who have money want to buy. The



monetary policy can only determine the money supply in a given period but not when, where, and how money is spent. Therefore, at present, when the people alone have a surplus purchasing power of more than 700 billion yuan, we cannot try to stimulate immediate demand and spur economic growth by increasing the supply of money and credit. To do so will only create hidden problems to economic stability in the future.

2. Is it possible at present to help enterprises increase production and thus directly stimulate industrial growth by increasing bank loans? On the surface, the lack of production funds for enterprises remains a major cause of the current industrial stagnation. But the current lack of production funds is caused not by tight credit, but by the enterprises' constantly increasing current funds for finished products and defaults, which have disrupted the normal circulation of funds for social reproduction and tied up all the loans obtained from banks. According to statistics, as of the end of June this year, the budgeted industrial enterprises' current funds for finished products alone totaled 106.7 billion yuan, up 21.4 percent from the beginning of the year. It has become a financial "black hole" for the banks. Each time a bank increases its loan fund to an enterprise, it can only help keep the enterprise in production for the time being. Such increase cannot fundamentally solve the problems and promote industrial growth, but will increase the danger of credit inflation.

3. What is the relationship between the easing up of credit in the fourth quarter of the last year and the first half of this year and the slowly rising economic growth since the second quarter of this year? Bank loans increased by 120 billion yuan in the fourth quarter of the last year, and as of the end of May they were up by 38.2 billion yuan from the beginning of this year. So there was much more credit available in this period than in the first half of the last year. From the second quarter of this year, industrial production began to increase, by two percent in April, 4.2 percent in May, and 5.9 percent in June, but the major cause was not the easing up of credit. Rather it was the immediate demands which increased with the growing consumption and investments in fixed assets. Bank loans increased sharply in the fourth quarter of the last year, but because consumption and investment did not increase correspondingly, immediate demands remained insufficient, and industrial production failed to show any improvement in the first quarter of this year. From January through May this year, the real wages of workers and staff members throughout the country increased by 5.3 percent; in May, investments in fixed assets by state-owned units increased by 6.4 percent; in June, the total volume of retail sales stopped falling and began to rise; immediate demands increased, and, as a result, industrial production began to pick up.

4. What effect will readjustment of the credit structure have on the current readjustment of the economic structure? At present, a scale efficiency mechanism for enterprises, a bankruptcy system, and a sound market system have yet to be established; the economic structure lacks

a sound self-organizing and self-regulating mechanism, and economic resources are insufficient. Because of this, it is necessary to rely mainly on government investment and an industrial policy enforced by administrative means to readjust and construct the economic structure, and because of the irrational interest relations within the economic system and the limitations of administrative means, it is difficult to fundamentally improve the economic structure. Readjustment of the credit structure on this basis can only play a role in limited incremental regulation, and it certainly plays no key role in the current readjustment of the economic structure.

5. To what extent can increased efficiency in the use of credit funds help improve the national economic performance? The monetary policy under the existing level of the economic performance of enterprises can, by regulating the distribution and use of credit funds, improve the national economic performance. However, because the national economy has not yet changed from a quantitative-growth type into an efficiency-development type, the low efficiency of enterprise management will mean low efficiency in the use of credit funds, and the monetary policy will not have a great impact on improving the national economic performance.

From the above we can see that under the present economic system and state of economic operations, no matter which way we choose to proceed, we must not place our hopes completely on the monetary policy. Since the latter half of the past year, the monetary policy, by loosening control over the total volume of credit funds and extending loans strictly according to the national industrial policy, has done all it could to get us out of the current economic difficulty. Now our hopes of getting out of the economic difficulty should no longer be placed on the monetary policy. We should continue to tighten control over the supply of money and credit, look in other directions for a guiding policy to promote economic growth, and strengthen the coordination of the monetary policy with other economic policies. The cause of the present economic difficulty lies in the system and the microeconomy, and not in the macroeconomy. The difficulty is caused by the low economic efficiency of the enterprises, imbalance of the economic structure, and insufficient immediate demand under the present economic system, which was shaped by the imperfections and mistakes in past reforms. To get out of the difficult situation, it is necessary to find the right solutions to the problems: to bring about a temporary solution by improving the microeconomic efficiency of the enterprises, increasing immediate demand, eliminate backward products and enterprises, speeding up the technological transformation of enterprises, and increasing the supply of essential goods, and, at the same time, to get at the root of the problems by speeding up the reform of the enterprises, improving the market system, and establishing a self-selecting and self-eliminating mechanism for production capacities and a self-organizing and self-regulating mechanism for the economic structure.

## INDUSTRY

**Improving Wool Production Management**

91CE00384 Beijing ZHONGGUO FANGZHI BAO  
in Chinese 20 Sep 90 p 5

[By Li Jinhua (2621 6930 5478)]

[Text] In 1985 the distribution of Chinese produced wool according to planned allocations was changed, giving free rein to management. There occurred as a result for several years thereafter a "wool war." However, since 1989 Chinese wool has been overstocked. What then is the crux of the problem that is causing these sudden changes in the wool market?

**1. The Supply of China's Wool Still Meets Demand**

In the initial period after liberation, Chinese wool amounted to only 30,000 plus tons. By 1970 it had grown to 75,000 tons. In 20 years, output had increased 40,000 tons, an annual average increase of more than 2,000 tons. In 1989, China's wool production came to more than 230,000 tons. The average annual increase during this latter 20 years was more than 8,000 tons. We can see from these figures that China's production of wool has grown rapidly.

Even though wool production has increased rapidly, it still is far from able to meet the demand of the growing wool spinning industry. In the initial period after liberation, China only had 130,000 wool spindles. By 1989, this figure grew to more than 2.5 million, close to a 20-fold increase. The wool spinning industry's rapid expansion brought with it a rapid increase in demand for raw materials. In 1988, textile enterprises consumed approximately 200,000 tons of wool (clean), 39 percent of which was produced in China. The sales volume of woolen goods declined in 1989 because of the high price of wool. Some enterprises went all out to develop woolen blends, which caused the amount of wool used to decline. Nevertheless, approximately 160,000 tons were still consumed, 36 percent of which was produced in China. The amount of wool consumed these two years shows that slightly more than one-third of it was produced in China and that two-thirds had to be imported. The 50,000-70,000 tons of Chinese wool (clean) that is consumed each year, which is equal to 150,000-200,000 tons of raw wool, plus what is used by other trades, correspond exactly to China's present wool output. There's no excess of wool produced in China. In fact, it is far from being enough. Demand outstripping supply will exist for quite some time.

**2. Why Is Wool Produced in China Overstocked?**

There are many reasons for wool produced in China being in oversupply. The principle reasons in 1989 were its poor quality and high price. Following the implementation in 1985 of Chinese wool as category II goods, managerial channels became chaotic. Some wool dealers took advantage of the situation to engage in profiteering, and as a result, the market was thrown into confusion. If under the circumstances, the supply and marketing system had been used as the main channel, positions could have been secured and control of management according to regulation could have been strengthened. The supply and marketing system could have played its proper role. However, the managerial thinking of some units was incorrect. All they focused on were profits. They engaged in profiteering, adulterated wool, and created a "wool war" that lasted for several years. Quality gradually declined. It became so poor that people lost confidence. This forced some of the wool spinning enterprises to do what they could to import wool, creating an "extension of the civil war," with wool prices on the international market skyrocketing year after year. The huge and rapid rise in wool prices that forced the large decline in demand is the main reason for wool being overstocked. The amount of Australian wool currently in reserve has reached 3 million bales, the highest level ever. Its price will have to fall several levels. Recently, the Australian government announced that beginning 1 July, Australian wool prices would drop another 20 percent. Even so, we cannot foresee a resumption of brisk wool sales, at least not in the near future. The practice of adulterating Chinese wool has become serious. This vile practice is greatly damaging the quality of Chinese wool. The mills dare not use it and cannot use it. Given this situation, it is perfectly natural for certain of the key wool spinning enterprises to avoid Chinese wool and turn to the high quality Australian wool.

**3. The Full Utilization of Chinese Wool Is Necessary and Entirely Feasible**

As early as 1974, 18 key enterprises in eight of China's major wool spinning regions were using Chinese wool to develop a number of assorted goods. In 1970, the Chinese wool that they used accounted for 30.9 percent of the total amount. In 1973, it was 44.7 percent, and in the first four months of 1974 it had reached 55.5 percent. Products made from Chinese wool accounted for 17.2 percent of the products sold abroad in 1970. By May 1974, it was 51.5 percent. Given the relatively large improvements in the quality of Chinese wool, in processing machinery and equipment, and in production experience, we can confidently declare, even at this late date, that, as long as controls are strengthened over the management of Chinese wool, as long as adulterated and artificial products are not used, and as long as the innate quality of wool is preserved, it will be entirely feasible to utilize good Chinese wool and even to use it to earn foreign exchange.

#### **4. Strengthening Control Over Chinese Wool Is Absolutely Necessary**

The key to strengthening control over wool produced in China is the further improvement and rectification of circulation, strict price controls, improving wool's prestige, and sales promotion.

1. We must exercise strict macroeconomic control over excessive growth of our wool spinning capacity and use economic and administrative measures to carry out needed rectification of existing wool spinning enterprises. Enterprises whose products are of inferior quality, whose equipment is outmoded, and whose production qualifications are lacking should either be closed, their operations suspended, be merged with other enterprises, or switch to another line of products. At the same time, state principles concerning guidance on distribution are to be applied in dealing with the allocation to the outside of surplus wool from wool-growing regions that produce and utilize their own Chinese wool. To ensure effective regulation and control and to maintain stability, its distribution will be guided by the overall arrangements of industrial departments in conjunction with state plans for products.

2. Wool operating units should be properly centralized. However, exclusive and monopolistic operations must be avoided. In addition to maintaining supply and marketing cooperatives as the main channel of purchasing operations, we must allow industrial utilization departments to make selective purchases in wool growing regions in accordance with the targets of the guidance on distribution. Industrial utilization departments in producing regions, in addition to being able to make selective purchases of planned portions for their own use, can act as agents for utilization departments in nonproducing regions to make selective purchases of guidance plan wool. Industrial and herding units that are directly affiliated have been sanctioned to continue to operate this way. All other units and individual persons are prohibited from doing so.

3. Prices must be strictly controlled. The price control authority for the purchase and supply of wool produced in China should revert to the State General Administration of Commodity Prices. Each year, the administration should stipulate the purchase and supply prices of wool based on market supply and demand and relevant industrial policies and taking into consideration the profits from both wool production and wool spinning enterprises. It should set forth the highest and lowest price limits. No unit should be allowed to violate pricing policies.

4. We must strengthen the supervision and inspection of wool quality, and its purchase and supply must be strictly based on quality standards. State technical supervision and inspection departments each year must set a time for carrying out their supervision and inspections and publish their inspection results. When there is disagreement about quality, they must institute impartial

arbitration retesting. Pricing departments must, without exception, confiscate the illegal income of operating units and turn it over to the state treasury.

5. We must vigorously promote planned prices for clean wool and thoroughly implement the principle of superior prices for superior wool. The planned pricing method China currently uses for its raw wool is backward and unscientific. It does not reflect the true quality of the wool and at the same time gives an advantage to those who adulterate it. To protect the profits of the peasant herdsmen and arouse their enthusiasm, we have to vigorously promote planned prices for clean wool and use this to provide guidance for the scientific raising of sheep and to strengthen control at each link. At the same time we are promoting planned prices for clean wool, we should vigorously organize and develop auction markets for wool in the principle wool producing regions and establish support mechanisms and facilities for the supervision and control of shearing, classifications, objective testing, sample displays, central storage, and auctions. Through auctions, we can strengthen the commodity consciousness of peasant herdsmen, promote the commercialization of wool, reduce the links in circulation, and give impetus to scientific management.

6. We must support a tax policy. Because wool prices are high, the market for wool products is soft. Wool spinning enterprises are currently in fairly difficult straits. The majority of them, energetically working on products that have a ready market, are developing wool blends. However, a number of enterprises are overstocked and have had to make deep price cuts. This has caused them losses. Although the price of wool produced in China has dropped, it cannot be expected to return to the level it was prior to the "wool war." That would dampen the enthusiasm of the peasant herdsmen. High and low taxation rates can regulate, encourage, or limit the growth of certain industries. At present, the tax rate on woolen products is higher than for other textile products. Making appropriate readjustments to the tax rate for wool spinning enterprises during their period of difficulty would be of major significance in helping them get through their crisis and restore their vitality. For example, each year several tens of thousands of tons of coarse, inferior grade Chinese wool is still produced. In the seventies, to encourage its use, products made from coarse, inferior wool were taxed at a lower rate or not taxed at all. In recent years, woolen mills have seldom used this kind of wool because of various problems including the tax rates.

#### **Zhejiang's Jan-Sep Industrial Output Up; Efficiency Down**

*OW 2810131290 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 27 Oct 90*

[From the "Provincial Hookup" program]

[Text] According to statistics recently released by the provincial statistics bureau, the provincial planning and



economic commission, the provincial financial department, and the People's Bank of China's Zhejiang branch. Zhejiang's industrial output is picking up steadily and social demand is rising, thanks to readjustment of the austerity program and the gradual implementation of various pertinent measures.

From the first through third quarters of this year, investment in fixed assets by Zhejiang's state-owned economic sector totaled 3,415 million yuan, up 11.7 percent over the same period of last year. Readjustment of the investment structure continued. Investments in such basic industries as energy, raw and semifinished materials, transportation, postal service, and telecommunications grew in varying degrees, as did those in ventures designed to improve product quality. As of the end of September, banks in various parts of the province had granted 44,453 million yuan in loans, up 4,237 million yuan over the beginning of the year.

The increase in bank loans has led to the recovery of industrial production. Compared to the same period of last year, workers' wages in the province rose by six percent in real terms. However, industrial and economic efficiency continued to decline. From the first through third quarters, per capita labor productivity of Zhejiang's economically independent state-owned industrial enterprises edged up 1.6 percent, while the cost of comparable products of state-run, centrally budgeted industrial enterprises climbed by 1.5 percent. The profit and tax rates on sales and funds for manufactured goods dropped to 10.21 percent and 14.44 percent, respectively, from 13.83 percent and 22.92 percent of the corresponding period of last year. Energy consumption by industrial enterprises at and above the county level, with output value in the 10,000-yuan range, went up by 2.4 percent.

#### Upgraded Technology Helps Shanghai Industry

OW2710092490 Beijing XINHUA in English  
0803 GMT 27 Oct 90

[Text] Shanghai, October 27 (XINHUA)—Technology upgrading over the past three years has brought new vitality to the industrial development of Shanghai, the biggest city in China.

From 1986 to 1988 Shanghai has invested four billion yuan to carry out the technological upgrading of 725 major industrial projects.

By the end of last year these projects had achieved a total production value of 14 billion yuan.

According to statistics, each 100 yuan of investment in technology upgrade can produce a value of about 200 yuan, with 40 yuan profit.

Fifty percent of the projects use imported advanced technologies and equipment to produce export-oriented products.

The technology upgrading of Shanghai's industrial enterprises is an important part of China's Seventh Five-Year Plan (1986-1990).

#### Qinghai Plans To Make Golmud City Resource-Developing Zone

OW2710072290 Beijing XINHUA in English  
0207 GMT 27 Oct 90

[Text] Xining, October 27 (XINHUA)—Northwest China's Qinghai Province has planned to build Golmud City into a resource-developing zone in preparation for exploring the resources in the Qinghai-Tibet plateau.

Golmud City, located in the Qaidam Basin, is a city with new developing industries. It houses China's largest potash fertilizer plant and an oil-refining plant, which is presently being built. By the end of the century, it will be built into a city focusing on salt chemical and petrochemical industries, a commodity circulation center and a hub of communications, connecting Tibet, Xinjiang and Gansu.

During the next 10 years the total social production value in the developing zone is expected to increase by 15 percent each year.

The mineral reserves of lake salt, asbestos, silica and natural sulphur in the Qaidam Basin rank first in China, accounting for 84 percent of that in Qinghai Province.

The establishment of the developing zone will also promote the economy and social stability of Tibet, which imports and exports its goods and materials by way of Golmud City.

The Qinghai provincial government has formulated various preferential policies to accelerate the development of the zone.

#### Expansion of Shipbreaking Industry Planned

HK2910025890 Beijing CHINA DAILY in English  
29 Oct 90 p 2

[By staff reporter Chang Weimin]

[Text] China is bracing up to turn its shipbreaking industry into the world's largest in a bid to exploit a predicted worldwide acceleration in ship replacement.

Kang Guangzhi, vice-president of the China National Shipbreaking Corporation, told CHINA DAILY that China "will be a shipbreaking kingdom and we're confident of that."

Kang said that in its attempt to become the largest shipbreaker in the world, his corporation was now wooing business people from overseas, especially Taiwan, to start co-operatives or joint ventures on the mainland.

"We want expertise and funds from overseas for the development of our industry," he said.



Experts at a nationwide symposium held in September shared Kang's view that China should take advantage of the expected acceleration in countries' replacing old ships.

Experts predicted that old vessels weighing a total of some 13 million tons would have to be replaced worldwide annually in the coming decade.

"We're prepared to buy and break more overseas ships as we have the advantages of abundant, cheap labour and long coastlines," Kang said, adding that the country needed materials, equipment and facilities that could be taken from old foreign ships.

He said China was still a developing country and nearly everything disassembled from old overseas ships was useful.

In 1988, China dismantled old vessels weighing 466,000 tons, or 22 percent of the total broken up in the world, making it the world's second largest shipbreaker that year.

China's shipbreaking industry started seven years ago and now has more than 100,000 employees in some 100 enterprises.

And it had so far bought old vessels totalling 6 million tons from abroad, Kang said, adding that China had obtained 4 million tons of steel, 1.2 million tons of scrap steel, 60,000 tons of nonferrous metals as well as equipment and facilities.

All the materials gained from the shipbreaking were used to help ease domestic supply shortages, he said. Some were used to substitute imports, thus saving China some \$150 million in foreign exchange.

## SMALL-SCALE ENTERPRISES

### Township Enterprises Gear Up for Export-Oriented Economy

91CE0043A Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 21 Sep 90 p 1

[Article by Li Xin'ui (2621 2450 1807) and Chang Yongping (1603 3057 1627): "Beijing Draws Up Eighth Five-Year Plan for Township and Town Export-Oriented Economy"]

[Text] From January to August this year, the value of the export goods supplied by Beijing Municipality's township and town enterprises was 841 million yuan, representing a fulfillment of 68.7 percent of the annual plan and a 37.1 percent increase over that of the same period last year. Beijing Municipality recently held a conference on the foreign economic relations and foreign trade of its township and town enterprises. Summing up and exchanging experiences, the conference drew up the Eighth Five-Year Plan for all districts and counties in the municipality, and prepared for next year's trade, industry, and agricultural projects for which tenders will

be submitted, in order to obtain a greater development of the township and town export-oriented enterprises. In the period 1987 to 1989, the total value of the export goods supplied by Beijing Municipality's township and town enterprises increased on average 17.6 percent a year. This year, in implementation of the spirit of the Fifth Plenary Session of the party Central Committee and of the municipal government's policy of making adjustments and seeking beneficial results, during the first seven months the average increase per month was more than 50 percent. In obtaining such a fast rate of development, the main points were:

- There was a new development of joint industrial-agricultural enterprises. In the municipality there has now been developed nearly 80 enterprises jointly run by towns and townships and by foreign trade corporations. The export channels for these enterprises are stable, and the enterprises maintain peak production loads.

- There was a rapid development of export production enterprises and groups, and they have a strong "radiating power." Of the township and town export production enterprises, there are 204 that have an average goods-supply capacity of 1 million yuan. In the first seven months of this year, the total value of goods provided for export was 173 million yuan, an increase of 27 percent as compared to that of the same period last year. These backbone enterprises, in a "radiating" fashion, have developed a number of production bases that supply goods. For example, the Huairong Plant-Dyed Carpet Mill and the Xinjiang Import-Export Corporation jointly established a carpet group, which in the first half of this year supplied export goods worth 1.175 million yuan, double the value in the same period of 1989 before establishment of the group.

- Remarkable success was achieved in the use of foreign capital, thereby opening wide export channels. In the first half of this year, Beijing Municipality developed Sino-foreign joint ventures and Sino-foreign contractual joint ventures, which attracted \$47.49 million in foreign capital. There are now in the municipality 135 of the "three kinds of enterprises that are either partially or wholly foreign-owned." At the beginning of the year, the Township and Town Enterprise Bureau of Beijing Municipality held the first negotiation meeting on export commodities. The value of contracts signed with the Soviet Union and with East European countries was 5.75 million yuan. The Zhongyan Valour Goods Mill of Pinggu County this year opened a market in the Soviet Union, and its mill operating in the Soviet Union earned \$2.76 million in foreign exchange. The products of some enterprises are exported to Western countries.

- There was a steady improvement in the products of mainstay countries. Compared with the figures for the same period last year, Beijing Municipality's clothing, textile, and handicraft goods supplied for export

increased respectively 53.5, 41, and 59 percent; and its electromechanical and light industrial products increased respectively 25 and 78 percent. The structure of export products is gradually changing from that of labor-intensive products to that of products with higher add-on value.

Recently, Beijing Municipality's Township and Town Enterprise Bureau, when summing up and exchanging experiences in foreign economic relations and foreign trade, called on the export-oriented production enterprises continue to do well in the following work:

1. Adjust and open up in order to strengthen the building of the ranks in foreign economic relations and foreign trade. Make the development of the export-oriented economy a strategic measure in improvement and rectification in order to maintain the coordinated development of township and town industry. All district and county enterprise bureaus, township and town enterprise bureaus, and economic affairs committee should set up special organizations for foreign economic relations and foreign trade, and allocate full-time personnel to them.

2. Get a tight grip on formulating plans, and do good preparatory work for next year's technological transformation bid tendering. In line with the situations on the international and domestic markets, formulate Eighth Five-Year plans as soon as possible; make good preparations for the examination and acceptance of projects on which tenders have been accepted in the last two years for technological transformation of the trade, industrial, and agricultural bases; and do good work in handling funds for this year's projects on which tenders have been accepted, and in the near term make good preparations for selecting tenders for next year's trade, industrial, and agricultural projects.

## COMMERCE

### Jilin Development of Commercial Firms Reported

SK0411072090 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 3 Nov 90

[Summary] Jilin Province has achieved rapid development in establishing a commercial network and centers over the past few years. By the end of 1989, the province had 146,000 commercial networks and centers. Of these networks and centers, the number of those run by the state reached 12,000; those run by collectives, 28,000; and those run by individuals, 106,000. At present, the province is adopting various measures to increase the establishment of such networks and centers and to readjust the structure of them.

## FOREIGN TRADE, INVESTMENT

### Expanding Shanghai's Exports in 1990's

91CE00294 Shanghai SHANGHAI JINGJI  
[SHANGHAI'S ECONOMY] No 4, 30 Jul 90 pp 28-31

[By Xie Tianfang (6200 1131 2397), Zhang Chengjun (1728 2052 6874), and Wu Jia (0702 0163)]

[Text] Expanding exports constitutes the basis and prime objective of Shanghai's development of its outwardly oriented economy. It has represented the key to Shanghai's success in consolidating and developing its opening to the outside world for the past decade. It will also be the driving force behind Shanghai's economic and social development during the 1990's. This is why it will be the first challenge the municipality will face in developing its economy in the nineties.

#### Part One

### First, the Contradiction Between Increasing Exports From the Port and the Municipality's Own Insufficient Supply of Goods

The principle factor affecting Shanghai exports are its sources of export goods. Prior to 1979, Shanghai's exports essentially originated from two quarters. There were goods purchased by foreign trade departments from industrial and agricultural production enterprises in the municipality itself, and then there were goods brought into Shanghai from other provinces and municipalities under planned allocations. In 1978, these two portions were valued at 4.92 billion and 3.33 billion yuan, respectively, and were roughly in a 60:40 ratio. After 1979, certain provinces and municipalities gained the right to engage in the import and export trade on their own. Shanghai's allocation of goods was sharply reduced. In 1981, its allocation of export goods only amounted to 2.23 billion yuan, one half less than in 1980. By 1985, this figure had declined even further to 1.02 billion yuan. Whereas the municipality's export goods had been at the 7.3-8.6 billion yuan level, the sudden decline in the allocation of goods from other provinces and municipalities was a direct cause of exports from the port of Shanghai going into a downhill slide after 1981 and fluctuating for six successive years.

To preserve and expand its total value of export goods and to clear up the port's fluctuating exports, Shanghai foreign trade departments were able, after 1985, through lateral economic associations, trade and industrial associations, and other economic associations to effect an increase in the allocations from outside the municipality. In 1989, they came to 5.58 billion yuan. Goods allocated from the outside have once again in recent years become an important factor in the increase in exports from Shanghai.

That Shanghai has been too slow in increasing its own supply of export goods is a fundamental reason why goods supplied from the outside will probably, to a large

extent, affect the ups and downs of the municipality's foreign trade exports. From 1981 to 1989, the total value of Shanghai exports increased \$1.41 billion. During the same period, Shanghai's own supply of goods only increased 3.11 billion yuan. Since 1985 the proportion of goods supplied by the municipality itself to the total value of goods exported from the port of Shanghai has shown a year-by-year tendency to decline. The contradiction in Shanghai's source of goods for export has become increasingly obvious. The increase in the amount of goods supplied for export by Shanghai's large, national industries has even been slower. The light and textile industries, which are important to the municipality's exports, have especially shown a tendency to get bogged down in too many difficulties in their supplying of goods. If there is not some major action taken in this regard in the next several years, it is difficult to foresee any large breakthroughs in the municipality's supply of export goods. This is now Shanghai's greatest constraint to expanding its exports.

**Second, the Contradiction Between Increased Amounts of Foreign Exchange Earned and a Reduced Net Foreign Exchange Income**

From 1980 to 1989, Shanghai's foreign exchange earnings showed a huge upswing. However, at the same time, its net foreign exchange income took a fluctuating downhill slide. During the three years of 1987, 1988, and 1989, Shanghai's foreign exchange earnings from exports rose each successive year, totaling \$4.16, \$4.61, and \$5.02 billion, respectively. During this same period, the rate of net foreign exchange income declined each successive year, from 83.5 percent to 75 percent to 67 percent, respectively. Foreign exchange earnings from exports were moving in an opposite direction from net foreign exchange income. If steps are not taken, the gap between foreign exchange earnings from the port of Shanghai and net foreign exchange income will continue to widen.

The actual cause of this has been that, since 1984, Shanghai has been greatly increasing its use of international resources. Customs statistics show that in 1988 Shanghai local authorities spent \$2.46 billion in foreign exchange on the importation of capital goods, a 2.3-fold increase compared with the \$754 million spent in 1984. The \$480 million the local authorities spent in foreign exchange on the importation of raw and processed materials in 1984 jumped to approximately \$1.2 billion in 1988, a 1.5-fold increase. At the same time, the export of goods from the municipality only increased approximately \$700 million, less than the increase for imported materials.

The reasons that the increase in foreign exchange used for importing raw and processed materials is larger than the increase in net foreign exchange income for the export of finished goods are as follows: 1) In recent years, various departments of the central authorities have successively transferred large portions of the importation of raw and processed materials to the local authorities, for

a grand total of \$750 million. This has resulted in a large increase in foreign exchange used for imported materials to appear on the books of the local authorities, whereas the actual amount of raw and processed materials acquired has not increased. 2) Some local authorities are shifting foreign exchange imported materials, through the channels of their economic associations, to manufacturing enterprises of foreign trade companies outside the municipality. After the goods are exported, Shanghai's foreign exchange income does not show an appropriate increase. 3) Some raw and processed materials imported with circulating foreign exchange are being diverted from the manufacturing link into the domestic market without ever being made into export goods.

In addition to the effect it is having on the fulfillment of the goals for foreign exchange to be handed over the central authorities, the decline in net foreign exchange income is also having a far-reaching effect on the municipality's economic growth. 1) By weakening the turnover of foreign exchange to be used for imported materials, it is broadening each year the gap in foreign exchange for the importation of raw and processed materials. 2) Seizing foreign exchange to be used for imported materials to introduce technical equipment and to carry out technical transformations, to a certain extent, delays the pace of technical progress for an enterprise. 3) Having to go through a regulated market to exchange renminbi to raise foreign exchange for imported materials exacerbates the domestic market crisis with respect to Renminbi funds and financial capacity. 4) It is likely to cause difficulty for the local authorities in repaying foreign debts that come due.

**Third, the Contradiction Between Strong External Pressures To Expand Exports and Insufficient Motivation Within the Enterprises**

The cause of this situation is multifaceted. At present, the principle problems are as follows: First, that export sales do not compare with domestic sales is still a prominent contradiction. The selling price of goods from a considerable number of industrial enterprises has been affected by increased enterprise costs coming from markups in energy and raw and processed materials. In recent years, these prices have all been adjusted upward to varying degrees. At the same time, the purchase price for the goods they sell abroad are controlled by the international market. Upward adjustments are limited. Some prices have even dropped. This has resulted in profits being lower for goods produced for sale abroad than for goods produced for sale domestically. In 1989, the decrease in profits for Shanghai's enterprises came to more than 400 million yuan because of the difference in prices between domestic and foreign sales. Second, an enterprise's profits are larger for completing "domestic contracts" than for completing "export contracts." Because the funds for industrial enterprise worker bonuses and welfare benefits are tied in with financial contracts, the majority of enterprises feel that the pressures to fulfill the financial contracts and the material benefits derived from them are greater than fulfilling the



foreign trade contracts. Surveys show that, even though more than 80 percent of an enterprise's output value might be comprised of export goods, the main energies of the factory director are still focused on completing the domestic contracts. When they are confronted with problems in completely fulfilling "dual contracts," a number of enterprises would prefer abandoning the "export contract" and maintaining the "domestic contract." Third, the method of distributing export foreign exchange is not entirely rational. Once the foreign exchange is distributed and deductions are made for imported materials and investment, there is not much left for some enterprises that export their goods. Some do not qualify for any. This leads to a lack of enthusiasm for earning foreign exchange through exports. Fourth, affected by the imperfections of the macroeconomic environment and the changing foreign trade structure, industrial enterprises are encountering such difficulties as shortages of operating funds and uncoordinated industrial and trade relations. In addition, the procedures for converting export foreign exchange are numerous, and they take a long time. Enterprises do not want to be bothered. They do not think that developing exports is worth the trouble.

If in the beginning of the nineties we do not make it our policy to adequately promote important readjustments in the outward orientation of enterprises, it will be difficult to sustain the present major reliance on contractual pressures to impel enterprises to export.

**Fourth, the Contradiction Between the International Market's Demand for High-Quality Goods and China's Low-Quality Export Goods, Deficient Service, and Weak Sales Management**

This situation is common knowledge. There is no need to go into detail.

**Part Two**

The final decade of the century represents a critical period in the development of Shanghai's outwardly oriented economy. There must be relatively large growth in Shanghai's exports. In quantitative terms, the proportion of the entire market held by Shanghai's total output value of export goods (the purchase value being calculated on the basis of prices in the year in question) relative to the national total output value for primary and secondary industries should rise from 33 percent in 1988 to 45 percent in 1995 and then reach 60 percent by the year 2000. The proportion of the entire market held by Shanghai's total output value for industrial exports (calculated on the basis of prices in the year in question) relative to total industrial output value should rise from 13.7 percent in 1988 to 20 percent in 1995 and then reach 30 percent by the year 2000. In qualitative terms, we should ensure that Shanghai's export product mix undergoes a relatively large readjustment. The present emphasis on a mix of light industry and textiles should give way to a mix of joint emphasis on light industry and textiles along with machinery and electrical equipment.

followed by a shift in emphasis to machinery and electrical equipment. There should be a shift from raw material intensive primary products of low added value to fully processed finished products of high added value. And there should be a shift from labor intensive products to products that are both labor intensive and technology intensive.

If Shanghai is to further expand its exports in the nineties on the basis of the goals of these two aspects, it will have to exert effort in the following areas:

**First, There Must Be a Greater Awareness of Exports and a Spirit of Establishing a Shanghai That Is Open to the Outside World**

1) We suggest that "International Trade Day" activities be held each year, that there be established "prizes for contributing to the development of Shanghai exports" and "prizes for the best suggestions concerning exports," that units and individual persons be selected and rewarded for their contributions to export development, and that we fully mobilize and realize the potential from all quarters to have everyone offering suggestions and advice on developing Shanghai's exports, thereby doing everything possible "to make connections and build bridges" to the international market for Shanghai products. 2) We should foster specialized talent on a multi-level basis to meet the demands of Shanghai's outwardly oriented economy. Primary and middle school curricula must include international subjects. Superior students should be selected at each level, from primary school to college, for their ideological qualities and for their expertise in foreign languages to undergo long-term and systematic training specially designed to meet the needs of expanding exports. In this way, there will be a continuous supply of fresh troops to replenish and renew the municipality's foreign trade ranks. At the same time, we should improve the standards and business acumen throughout the foreign trade ranks through large-scale professional training. 3) We must fully utilize the various media such as television, radio, and newspapers and periodicals to propagandize penetratingly, extensively and constantly the goals and significance of Shanghai's opening to the outside world and to report on export developments. This will ensure that people throughout the municipality become concerned about exports and that their developing consciousness becomes a major component of the Shanghai spirit of the new era.

**Second, Major Action Must Be Taken To Readjust Industrial Structure and Establish an Export-Oriented Industrial System**

1) On the basis of forecasts of international market demand and the actual capability of Shanghai's economy to grow, we should go all out to organize and promote a readjustment of the export mix, reorganize Shanghai's industrial structure based on an export strategy, and foster and expand as quickly as possible an exports-oriented industry (for example, passenger cars, domestic appliances, and complete sets of large-scale equipment)



and an exports-supported industry (for example, textiles, light industry, and handicrafts). This will improve and transform Shanghai's export mix for the late nineties and even into the 21st century and lay a foundation for further strengthening its exports. 2) We must readjust and reform the organization and structure of industrial enterprises. We should select key export trades and enterprises such as textiles, light industry, and machinery and electrical equipment and make it our goal to expand their output of export products and improve their quality. We should also organize diversified enterprise operations which bring together imported materials, which do preliminary processing, which do finished processing, and which engage in the export trade into integrated conglomerate groups of enterprises in order to quickly break through the presently existing confines of individual enterprises doing everything individually. 3) We should readjust the export products mix. By publicizing each year a list of those exports to be encouraged and those to be limited and by linking that with preferential policies and punitive measures would promote a diversification of Shanghai imports and an improvement in their quality and grade. At the same time, we also have to preserve certain specialized products such as Chinese medicines and agricultural and sideline products the brand names of which have gained international fame among traditional products. 4) Implementing readjustment of the technical structure and speeding up the technical transformation of industrial enterprises will raise the technical level of enterprises. During the first five years of the nineties, we have to make up our minds to take funds from the relatively stable costs of capital construction and from foreign exchange quotas and use them for industrial transformation, and we must continue to strive to obtain loans from the World Bank and international commercial interests to support the technical transformation of the export industry. 5) We should, within foreign investment zones and export manufacturing zones such as Pudong, build an array of enterprises financed by foreign funds and state-operated enterprises whose main purpose is exports. We should bring the export industry of Shanghai Municipality itself into these zones to grow and develop, thus forming a zonal cluster of export industries that would constitute Shanghai's future export base. In addition, we also have to fully exploit the present advantages that our foreign-invested enterprises have to offer for further encouraging the export of their products and seek ways to have them give impetus to the domestic export of products.

**Third, There Must Be Major Readjustments in Export Policies and Guidelines To Form Mechanisms for Motivating Enterprises To Export and To Earn Foreign Exchange**

1) Profits of an enterprise producing goods for export which are affected by the differences in domestic and foreign prices can be treated as realized profits so that an enterprise's drawing upon the three categories of funds is not affected. 2) We should change the methods which we

use to assess the economic performance of those enterprises which are concentrating on the manufacture of export goods. The main basis for assessing the performance of all enterprises whose export output value constitutes 50 percent or more of their total output value should be the targets of their foreign trade contract, and funds for the worker bonuses and welfare benefits should be changed from being linked to the financial contracts to being linked to the foreign trade contracts. All enterprises whose export output value constitutes 85 percent or more of their total output value can be designated plants specializing in exports and only the economic performance of their foreign trade contracts will be assessed. 3) We must reform the method of distributing foreign exchange. In principle, all export enterprises realize an inverse "2:8" share of net foreign exchange earnings, thereby eliminating subsidies for export losses. For the export of specific bulk commodities where costs in terms of foreign exchange are relatively high, this can be liberalized to a "1:9" share or the whole amount can be retained. Under this method, those products which cannot be turned over will gradually be eliminated. With respect to export enterprises which exceed the base figure, that portion exceeding the base figure is treated as a "1:9" share. Whenever the base figure is exceeded by 50 percent or more, the whole amount can be retained. 4) We must establish the entire municipality as a base for developing export products. A 1-3 percent surcharge for developing export products, based on their output value after taxes, should be imposed on those enterprises producing highly profitable goods sold domestically, as well as on goods to be restricted as a part of structural readjustment. After the entire municipality has, through overall planning, been formed into a base for developing export products, we can make special use of Shanghai for developing export products and for readjusting the export product mix. 5) We should set up a system using export quotas with trial compensation. Quota use fees would be decided and imposed according to the different products for all export enterprise using quotas. Amassed from throughout the municipality, the fees would serve as one of the sources for developing an exports products base. 6) We should institute a system of preferential supplies of energy, raw and processed materials, and foreign exchange for imported goods for plants specializing in exports, enterprises producing fine quality exports products, and category two and above key state enterprises producing exports products.

**Fourth, There Must Be Major Reform of the Foreign Trade Structure and Further Strengthening of Industrial and Trade Relations**

1) We should, in accordance with the scale of production and the special characteristics of export products of the various trades and enterprises, institute a multiple agency system that would include enterprise agencies, agencies of enterprise groups, and trade agencies. This would impel the others to take the road of scale and would gradually bring us closer to normal international trade practices. 2) We must continue to perfect and

develop purchasing, individually run undertakings, and lateral economic associations; and properly develop the export method of industrial enterprises directly carrying out the "three forms of import processing and compensation trade." 3) While at the same time we are continuing to develop enterprise groups that combine both industry and trade with industry being primary, we should, on a trial basis, organize enterprise groups that integrate industry and trade with trade being primary. 4) We must gradually reorganize in a planned manner a portion of the foreign trade companies into an integrated trade association and use the association to bring Shanghai's industrial enterprises, especially some of the medium- and small-sized basic enterprises, into the international market.

**Fifth, There Must Be Major Growth in the Service Trades That Are Supplying Exports and Promotion of Foreign Sales Management and the Opening of Markets**

1) We should develop overseas enterprises and trade offices and transform domestic production and foreign sales to foreign production and local sales, and change from waiting for the customer to arrive to delivering the goods to his doorstep. We could, by straightening up and expanding the classifications of the more than 90 existing (and to be built) foreign trade and production enterprises and offices of various categories, form an overseas production and sales network, as well as a stratified and radial-type management network, in the expectation that we would be beginning a new phase in Shanghai's management of foreign sales. 2) We should fully draw upon and utilize all feasible foreign sales management methods and market developing experience and, where appropriate, liberalize the restrictions on enterprises and economic trade personnel who conduct commercial activities abroad. We must be more flexible and hire more overseas Chinese, Chinese students studying abroad, local residents, and other Chinese who are abroad to engage them in selling Shanghai products and to act as agents to help introduce Shanghai products into the international market. 3) We must, before and after sales, strengthen our service on export products, especially for machinery and electrical equipment. We should, at important locations abroad, either jointly establish integrated service centers for Shanghai machinery and electrical equipment or entrust overseas agent-dealers with the responsibility for providing operating instructions and maintenance. This would form a large contingent of regular customers for Shanghai machinery and electrical equipment and open up prospects for the export of these products. 4) We have to speed up the development of credit insurance for exports. Shanghai must consider setting up a special credit insurance organization for exports or expanding the insurance operations of the Shanghai branch of the People's Insurance Company of China to assume the export credit insurance for industrial enterprises. At the same time, we must improve insurance services and strengthen claims settlements. 5) We should provide openings to certain foreign banks where conditions are

ripe and have them set up branches in Shanghai and, where appropriate, liberalize restrictions on their business and financial operations. This will bring into full play their export services. 6) We must develop domestic and foreign commercial exhibitions. By establishing in Shanghai an international trade exhibition center, we could, throughout the year, exhibit products for sale abroad from Shanghai enterprises and samples of the most popular international products. This would enable foreign businessmen to sample goods and place orders and enable domestic enterprises to understand foreign products and service and to learn from them.

**Sixth, There Must Be Major Progress In and a Strengthening of the Government's Management of Export Trade and in Focusing on Actual Situations With Respect To How Exports Are Handled**

1) The various economic and general departments of the government must go all out to firmly grasp exports, with each department actually accomplishing specific export development tasks. They must give export development the "green light." When they assess the economic performances of each enterprise, they must give precedence to exports and related indicators. This will give expression to the true position of export development in Shanghai's economic development in the nineties. 2) We must organize government management departments, economic research departments, and knowledgeable persons in the community to carry out policy research with respect to expanding Shanghai's exports. They should select the strong points from the vast numbers of enterprises and integrate them with Shanghai's situation, obtain coordination far and near, and draw up programs and plans that meet the actual situation in order to implement macroeconomic regulation of Shanghai's exports. 3) We must, as part of the effort to establish and develop foreign trade information retrieval and transmission, establish an inquiry and retrieval system for Shanghai foreign trade that would service both Chinese and foreign firms. 4) There needs to be a big improvement in the conversion and distribution of foreign exchange with respect to export enterprises. We need to strengthen intermediary banks, clearing banks, exchange control branches, and other departments in charge to realize a monthly distribution of foreign exchange and to move toward distributing foreign exchange item by item.

**Talks Held on Hong Kong-Guangdong Cooperation**

90CE0504A Beijing GUOJI SHANGBAO  
in Chinese 1 Sep 90 p 3

[Article by Han Nanzheng (7281 0589 1769): "Working Together for Common Progress"]

[Text] A seminar on future Guangdong-Hong Kong economic cooperation was jointly organized by the Hong Kong Trade Development Council [TDC] and the Foreign Economic Relations and Trade Commission of Guangdong Province in Guangzhou on 27 July this year.

The Hong Kong delegation was the highest-level economic delegation from Hong Kong to visit Guangdong in recent years. The two sides discussed the prospects for future economic cooperation between them at the seminar.

#### Diversifying Guangdong-Hong Kong Economic Relations and Trade

**[Yu Fei [0060 7378] (vice governor, Guangdong)]** Because of geographical, historical, and kinship factors, economic and trade relations between Guangdong and Hong Kong have an ancient history. In 1989 Guangdong exports to Hong Kong amounted to \$6.4 billion while imports from Hong Kong were worth \$3.5 billion. Guangdong exports to and imports from Hong Kong have come to occupy a significant place in Hong Kong's foreign trade. As Hong Kong gradually shifts the manufacturing of its export commodities to Guangdong, economic relations and trade between the two places have grown from the simple buying and selling of commodities to cover a variety of economic sectors.

**[Su Zeguang [5685 3419 0342] (executive director, HKTD)]** The rapidly growing economic relations between Hong Kong and Guangdong play an important part in Hong Kong's strategic development plan. This relationship is of tremendous significance not only for the two places involved, but also for China's economic development and even the entire Asia and Pacific area. The fruits of Guangdong-Hong Kong cooperation are for all to see. Right now Hong Kong accounts for 90 percent of all direct outside investment in Guangdong and absorbs 80 percent of its exports. At present over 18,000 factories in Guangdong do processing for Hong Kong. These numbers fully reflect the perfect partnership between Guangdong and Hong Kong.

**[Ding Lisong [0002 1536 2646] (deputy secretary general, Guangdong Provincial Government)]** At present, about 1.5 million workers are employed in foreign-funded enterprises engaged in the "three forms of import processing and compensation trade" and the "three kinds of enterprises that are either partially or wholly foreign-owned" in the Zhu Jiang Delta. The pattern of cooperation between Hong Kong and the delta in which the former serves as the storefront and the latter as a hinterland of factories has made Hong Kong products more competitive on the international marketplace as well as expedited the industrialization of the Zhu Jiang delta. The two economies have now become interdependent and inseparable, like one's lips and teeth.

**[Wei Tinghua [7614 1694 5478] (director, Institute for the Development of Foreign Economic Relations and Trade, Guangdong)]** Hong Kong has an important place in Guangdong's drive to attract foreign investment. Currently Guangdong is the largest investment base in China for Hong Kong businessmen. This has driven the development of Hong Kong's manufacturing industry and foreign sales and accelerated the rapid growth of Guangdong exports. As of late 1989, the amount of foreign

capital actually utilized by Guangdong amounted to \$10.4 billion, of which 75 percent came from Hong Kong, and the "three kinds of enterprises that are either partially or wholly foreign-owned" numbered 11,000. Hong Kong and Macao businessmen funded 90 percent of these enterprises but accounted for 85 percent of the investment. Between 1979 and 1988, Guangdong attracted \$1.28 billion in foreign capital through "the three forms of import processing and compensation trade." 50 percent of all such foreign investment in China in the same period. Of the \$1.28 billion invested in Guangdong, 85 percent came from Hong Kong and Macao. The creation of these enterprises has promoted industrial development in Guangdong and enhanced Hong Kong's export capability.

**[Dame Lydia Dunn (chairman, HKTD)]** I think the top priority right now is for Guangdong and Hong Kong to understand each other's economic development focuses and strategies better so that their economies could be made mutually beneficial and supplementary. The idea is to enable Guangdong and Hong Kong to continue to go forward together and achieve even greater economic success.

#### Putting Guangdong and Hong Kong's Respective Strengths To Better Use

**[Yu Fei (vice governor, Guangdong)]** Economic cooperation between Guangdong and Hong Kong is based on complementarity and mutual benefit. By marrying their strengths, the two places have increased their export capabilities and international competitiveness, which is mutually beneficial. Guangdong-Hong Kong economic cooperation, we hope, can move from piecemeal, small-scale, and short-term cooperation, as is the case now, to comprehensive economic cooperation with long term objectives on the basis of complementarity and mutual benefit, thereby further integrating both sides' strengths, jointly creating a host of basic industries that will upgrade both economies, and eliminating their respective weaknesses. The goal is to improve the economic muscle of the two places as a whole and improve their economic position in the Asian and Pacific area so that they become a strong contender in the world.

**[Zhang Jianquan [1728 7003 3123] (general manager, Hong Kong Huali Fabric Company)]** I want to take advantage of this opportunity to make one point, that is, how Guangdong can exploit Hong Kong's strengths to drive its own development and establish or expand bilateral trade relations with other nations and regions in the Asian and Pacific area. To begin with, it can make use of Hong Kong's capital and banking and financial services to expand its industrial base as well as foreign trade activities. Second, it can utilize Hong Kong's good access to international market information and managerial experience to improve product design and packaging and enhance its competitiveness on the international market. In my opinion, that is an area where Guangdong has not done enough so far. It may have good-quality products, but because the style is not up-to-date or the



functions and packaging do not meet ever-changing consumer demand, they are often overlooked on the world market. Guangdong also should make better use of Hong Kong's modern transportation system and broaden contacts with the outside world through the extensive international sales network Hong Kong spent years putting together so that it can "get twice the result with half the effort" of opening up the international market.

**[Wei Tinghua (director, Institute for Foreign Economic Relations and Trade Development, Guangdong Province)]** While its processing industries have reached an advanced level and its infrastructure for developing foreign trade is also more comprehensive, there are serious weaknesses in Hong Kong's economy. One, Hong Kong is heavily dependent on imported raw materials, equipment, machinery, and articles of daily use. Two, it has limited land and is acutely short of fresh water. Because it is so densely populated, putting up enterprises, especially large enterprises, is subject to numerous constraints. Three, the labor shortage in Hong Kong is such that the labor needs of even existing enterprises are not being met. The labor shortage will only get worse as production continues to expand. These fundamental problems in economic development must be resolved with external help. As for Guangdong, its basic industries are fragile, its export capability is limited, and its applied facilities are incomplete. Although it is working hard to overcome such weaknesses, no basic change is possible in the short run. Hong Kong boasts a harbor with an annual handling capacity close to 100 million tons, a containerized terminal that can handle over 4 million containers, and an air freight facility at Kaitak Airport that can handle 500,000 tons of cargo each year, and the ability to produce and market almost 10 lines of products, including apparel, toys, and plastic products, in which Hong Kong is a leading exporter in the world in terms of volume. All this provides the opportunity for Guangdong to develop an export-oriented economy and expand exports through cooperation. If the two places can adopt the goal of long-term complementary cooperation, offset each other's weaknesses from the perspective of comparative advantage, and work together to overcome the shortcomings of each other's economy, then the prospects for cooperation are even brighter.

**[Ma Shimin [7456 0013 3046] (chairman and general manager, Hong Kong Hutchison and Whampoa Group of Companies, Ltd.)]** Compared to the vast majority of ports in the world, Hong Kong has a more extensive shipping network and a more busy schedule. Guangzhou should make the most of this advantage.

Sino-Hong Kong cooperation in capital construction in the interior has two advantages: First, the two sides can jointly put together a complementary transportation system that is well coordinated, thereby eliminating the danger of one competing against the other. Second, Hong Kong's existing capital, technology, and specialized technology can also be transferred to Guangdong to ensure

that the efficiency of capital construction facilities there meets world standards and, like similar facilities in Hong Kong, are trusted worldwide. Hong Kong can also play a major role in helping Guangdong develop communications facilities. With 100,000 cellular telephones, Hong Kong now has more mobile telephones per capita than any other place in the world. As for paging services, there are currently over 500,000 paging machines in use in Hong Kong, more than anywhere else on a per capita basis.

No doubt Guangdong has enormous potential when it comes to developing communications. For starters, however, it must resolve the basic problem of not having enough telephone lines. With a population of 60 million, it presently has only 100,000 telephone lines.

**Guangdong-Hong Kong Cooperation Should Develop to a Higher Level**

**[Lin Junrui [2651 0689 6904] (vice chairman, Foreign Economic Relations and Trade Commission, Guangdong Province)]** Despite the considerable progress in Guangdong-Hong Kong economic cooperation in the last 10 years, the reality is that such cooperation remains spontaneous, limited, and supplementary cooperation. To advance Guangdong-Hong Kong economic cooperation to a higher level, we must take the road of regional comprehensive development and promote structural economic cooperation.

Hong Kong industry increasingly is going high-tech and upscale. In the future Hong Kong is likely to become an industrial service center specializing in product design, product research and development, packaging, warehousing, transportation, and market expansion, while shifting to Guangdong and other areas such operations as manufacturing and processing. Meanwhile, the Guangdong coastal region, particularly the Zhu Jiang Delta, too will certainly move on to capital- and technology-intensive industries. Therefore it is both necessary and possible for both sides to cooperate in the high-tech field, thus enabling both to upgrade themselves technologically and share in the benefits of international competition. On the one hand, Guangdong will have an advanced service center for industrial development. On the other hand, Hong Kong will have a high-tech production processing center. That way both cooperation and the division of labor between them will be more efficient.

**[Ding Lisong (deputy secretary general, Guangdong Provincial Government)]** When I say structural cooperation, I certainly do not mean setting up an economic community like that in West Europe with its financial and trade integration. Instead, structural cooperation means the two places entering into cooperation in various ways in basic industries on the basis of the principles of mutual benefit and mutual assistance and within the framework of "one nation, two systems," focusing on the weaknesses in both economies and following the direction of

future development. In the immediate future, consideration may be given to the following:

- Jointly develop energy, transportation, communications, and other infrastructural facilities.
- Jointly develop raw materials and parts and-components industries deemed most urgent or most significant for future development.
- Open up new avenues of cooperation in agriculture. About half of Hong Kong's industries (such as food, beverages, textiles, and leather) at present require agricultural products as their principal or partial raw materials. If the two places jointly develop modern agriculture to produce agricultural products that are reasonable in hatch, quality, and prices, it will become a stable source of raw materials for the processing industries in both places.
- Increase cooperation in scientific and technical development and sales and marketing. With its hinterland, Guangdong is in a position to pool pertinent S&T resources in the nation. Hong Kong, on the other hand, has greater product design, managerial, and sales and marketing capabilities. Bring the two together, and the scientific research achievements of the mainland can readily be turned into actual productive forces and Hong Kong will become an even more effective information and financial center.

[Li Pengfei (2621 7720 7378) (president, Hong Kong Meadville Limited)] High efficiency and speediness are elements in Hong Kong's success story. As competition heats up in the Asian and Pacific area, development in Hong Kong is gathering speed all the time. To keep up with Hong Kong, Guangdong must correspondingly become more efficient; whether it is production, delivery, or the examination-and-approval process, the amount of time required should be reduced to the minimum. At the same time, products made or processed in Guangdong must meet the specifications of Hong Kong merchants. Right now Hong Kong is devoting itself to breaking into the upscale market, so products manufactured and processed in Guangdong must meet international standards in design and quality. This is the only way for Guangdong to stay in step with the development of Hong Kong business. As for qualified personnel, we hope Guangdong also has a plan to meet future needs.

[John Paine (executive director, Hong Kong and Shanghai Banking Corporation)] Hong Kong is the sixth largest foreign exchange market in the world in terms of trading volume and its fourth largest gold market in terms of business volume. Hong Kong is the largest banking center in the Asian and Pacific area outside Japan in terms of the number of banks. It is also the region's No. 1 venture capital market and capital market, apart from Japan. Hong Kong's banking institutions are playing an increasingly important role in the development of China. It has been estimated that about two-thirds of foreign investment in China are put together

through Hong Kong and that one third of China's foreign exchange earnings are channelled through Hong Kong.

Hong Kong should utilize its present middleman role to bring together the demand of the foreign investor and the economic potential southern China may offer.

[Zhu Wanli (2612 8001 6849) (vice president, People's Bank of China, Guangdong branch)] To make better use of Hong Kong's role as a bridge between the interior and the foreign financial market, we may expand Guangdong-Hong Kong financial cooperation along the following lines: 1) continue to organize syndicated loans, improving both the methods of fund-raising and the ways in which the funds are used; 2) replace spontaneous, private, loose cooperation with organized, planned, and close cooperation. If necessary, a coordinating agency may be set up to bring together the banking, industrial, and commercial communities of both places; 3) jointly create a banking consulting organization to transmit financial information between the two places by providing a variety of consulting services to Chinese and foreign clients; 4) jointly organize a development company to jointly invest in new-tech enterprises in Hong Kong and even the Asian and Pacific area; 5) when the time is right and building on the experience of foreign banks in special economic zones, consider allowing foreign-funded banks in Guangdong and a handful of opened cities to open branches; and 6) two-way exchange in information, experience, and personnel.

#### Inner Mongolia Builds Export Commodity Bases

SK2210134890 Hohhot NEIMENGGU RIBAO  
in Chinese 13 Sep 90 p 1

[By reporter Li You (2621 2589): "Our Region Actively Supports Construction of Export Commodity Production Bases"]

[Summary] Foreign economic relations and trade departments of our region have actively supported the construction of the bases for production of export commodities. As of now, these export commodity production bases have provided more than 80 kinds of products for export, and their annual amount of foreign exchange earnings has exceeded \$57 million. These departments have allocated more than 50 million yuan of circulating funds to support export commodity production since 1987. They have built processing bases as well as bases for production of carpets, garments, graphite, medicinal herbs and animal feed.

#### Gansu Governor Notes Importance of Foreign Trade

HK1610024090 Lanzhou Gansu Provincial Service  
in Mandarin 2300 GMT 9 Oct 90

[Text] The provincial conference on economic and trade work, which concluded yesterday, put forward the province must work hard and make new contributions to

attain the goal of earning \$400 million in foreign exchange through exports and inviting \$300 million in foreign funds by the end of the Eighth Five-Year Plan period.

During the Seventh Five-Year Plan period, the province made relatively rapid progress in foreign trade imports and exports, utilization of foreign funds, and importation of technologies.

In order to attain the goal set in the Eighth Five-Year Plan, provincial Governor Jia Zhiye called on the whole province to proceed from actual conditions and make breakthroughs in two aspects, namely, earning foreign exchange through exports and making use of foreign funds.

Jia Zhiye said: Gansu Province is comparatively rich in resources and has great potential for developing the processing industry. Therefore, he called on people's governments, departments, and enterprises at various levels to cultivate the ideology of taking into consideration the overall situation, cooperate with and support one another, cultivate the concept of making joint efforts to realize the two breakthroughs, and expand real strength by making full use of the channel of earning foreign exchange through exports and utilizing foreign funds with a view to promoting the development of Gansu's economy.

Provincial Vice Governor Li Ping presided over yesterday's meeting.

Provincial leaders Xu Feiqing, Ge Shiyang, and Yan Haiwang attended the meeting and conferred medals and certificates of merit on the provincial medicine and health protection (machinery import and export) company and other 47 advanced units which had excelled in earning foreign exchange through exports and utilizing foreign funds and on Ma Changping and other 41 advanced individuals who had excelled in earning foreign exchange through exports.

### Guangzhou Industrial Output Rises; Foreign Funding Up

OW2010200290 Beijing XINHUA in English  
1512 GMT 20 Oct 90

[Text] Guangzhou, October 20 (XINHUA)—Guangzhou recorded contracts involving 325 programs valued at 430 million U.S. dollars in the first nine months this year, up 35.4 and 10.9 percent, respectively, over the same period last year.

Good management of foreign-funded enterprises in Guangzhou has resulted in an increase in industrial output.

Statistics show that the total industrial output value of 649 foreign-funded enterprises reached 2.01 billion yuan in the first half of this year, an increase of 94.26 percent over the same period last year.

Hoping to attract more foreign funds, the Guangzhou municipal government recently instituted a series of policies and concrete measures, including opening more enterprises and construction projects to foreigners and increasing economic co-operation with Hong Kong and Macao.

### Exports of Foreign-Funded Enterprises Increase

OW2010114890 Beijing XINHUA in English  
1125 GMT 20 Oct 90

[Text] Beijing, Oct 20 (XINHUA)—The export value of foreign-funded enterprises in the first three quarters this year amounted to 3.08 billion U.S. dollars, a 57.8 percent increase over the same period last year, according to the general customs office.

Foreign-funded enterprises in Guangdong, Fujian, Shanghai, Liaoning, Jiangsu, Zhejiang, Shandong, Tianjin, Beijing and Guangxi occupied the first ten places in China's exports.

The proportion of China's exports by foreign-funded enterprises for the period was 12.3 percent this year, as compared with 8.9 percent last year.

The enterprises exported products including recorders, TV sets, watches, clocks, telephones, textiles, clothing, shoes, toys, articles for travel, and food. The principal markets for the exports are Hong Kong, the United States, Japan and the European Economic Community.

Also in the first three quarters of this year, the value of equipment and goods imported as investments by foreign-funded enterprises amounted to 3.26 billion U.S. dollars, an increase of 27.2 percent over the same period last year.

### Trade Statistics Indicate Recovery

HK2210030090 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 22 Oct 90 p 2

[By staff reporter Ren Kan]

[Text] Things continued to improve on both the import and export fronts in China last month.

Although the \$4.4 billion worth of imports chalked up in September was 0.2 percent down on the figure for September 1989, it still represented a clear recovery from the August and July figures, according to a statistics report compiled by Chinese Customs officials.

The imports value for August was 9.7 percent down on the figure for August 1989, while that for July was 15.1 percent down on the July 1989 figure.

Imports have been declining since the start of the year. The sharpest drop occurred in April when the country's imports volume was 2.58 percent down on the figure for the same period last year.



The drop in imports has occurred as a result of the decrease in domestic demand under China's austerity policy and the economic sanctions adopted in June last year by Western nations which suspended government credit agreements and tightened technology exports to China.

Now, according to an official from the Ministry of Foreign Economic Relations and Trade (MOFERT), the central government is to relax controls on lending and banks are expected to provide more loans for technology imports. This would push up demand for imports, he said.

Meanwhile, some Western countries had begun to ease economic sanctions which would also boost the imports recovery, he said. The statistics report compiled by Customs officials said the country sold \$5.1 billion worth of goods abroad last month, 7.2 percent up on the figure for September 1989.

And the total foreign trade value for September hit \$9.53 billion, a 3.6 percent increase on the figure for September last year.

It was the second consecutive month this year that the country witnessed an increase in total foreign trade volume. Foreign trade in August rose by 2.1 percent. But the increase over the last two months has not yet made up for the decline which occurred over the first seven months of this year.

Total foreign trade volume for the first nine months of this year was \$77.87 billion, 1.38 percent down on the figure for the same period last year.

Of this figure, China exported \$41.3 billion worth of goods and imported \$36.49 billion, according to the statistics report.

Excluding such nontrade items as free international aid and donations, China's January-September foreign trade volume declined by 4.33 percent to \$60.17 billion with exports at \$33.95 billion and imports at \$26.2 billion.

The statistics report said that trade between the mainland of China and Hong Kong, its biggest trading partner, jumped to \$28 billion over the first nine months of this year, with mainland exports rising by 18.6 percent and imports by 8.6 percent.

Trade between China and Japan amounted to \$10.67 billion in the first nine months. Of this figure, China's exports accounted for \$5.62 billion, down 2.2 percent, while its imports amounted to \$5.05 billion, down 35.7 percent on the figure for the first nine months of 1989.

According to the statistics report, trade between China and ASEAN (the Association of Southeast Asian Nations) countries hit \$4.53 billion between January and September this year.

China's exports during the period to the European Community countries went up 11.5 percent to \$3.77 billion, while imports fell 21.9 percent to \$5.26 billion.

China also sold \$3.47 billion worth of goods to the United States, 13.9 percent up on the figure for the same months last year.

### Inner Mongolia Better Utilizes Foreign Investment

OW 2510045190 Beijing XINHUA in English  
0202 GMT 25 Oct 90

[Text] Beijing, October 25 (XINHUA)—North China's Inner Mongolia Autonomous Region has made rapid progress in absorbing foreign investment, the PEOPLE'S DAILY reported today.

The Overseas Edition of the paper said the region used 772 million yuan (about 164 million U.S. dollars) worth of foreign investment between 1986 and 1989.

It has approved 27 foreign-funded enterprises with a total registered capital of 9.91 million U.S. dollars.

The import and use of foreign investment have speeded up the region's technical upgrading, according to the paper.

By the end of 1989 Inner Mongolia had used 103 million yuan (about 219,000 U.S. dollars) worth of foreign investment to upgrade its enterprises, and it has imported 280 advanced foreign technical products.

### Beijing Attracting Foreign-Funded Ventures

OW 2710185190 Beijing XINHUA in English  
1550 GMT 27 Oct 90

[Text] Beijing, October 27 (XINHUA)—More than 800 foreign-funded enterprises have been set up in Beijing now.

At a gathering today to mark the first anniversary of the Beijing Association of the Foreign-Funded Enterprises, Wu Yi, woman vice-mayor of the municipal government said that Beijing has gained momentum to attract foreign investment since the beginning of this year.

The vice-mayor said that the Beijing Municipal Government has approved 230 foreign-funded enterprises by this month, bringing the number of such enterprises to a total of 826 with the contracted investment of 430 million U.S. dollars.

She said that the 332 foreign-funded enterprises which have been gone into operation have produced an output value of 3.6 billion yuan in the first nine months of this year, about 37 per cent more than that of last year.

### Anhui Province Attracts More Foreign Investment

OW 3110082690 Hefei Anhui Provincial Service  
in Mandarin 1100 GMT 30 Oct 90

[Text] Enterprises with foreign investment are developing rapidly in Anhui Province. At the end of September, there were 157 enterprises with foreign investment in the province, 67 of which had begun productive operation or trial operation, and 31 of which had begun exporting their products. Their export trade volume in the first nine months of this year totalled \$8.14 million, an increase of 103.6 percent over the corresponding period of last year. This year the establishment of 33 additional enterprises with foreign investment has been approved, and agreements have been reached on foreign investment totalling \$8.69 million, a 41.5 percent increase over last year's total.

The establishment of enterprises with foreign investment started late in this province and the enterprises were primarily small ones. In order to improve Anhui's investment environment and attract more foreign investors, the Anhui provincial party committee and the provincial government in recent years have successively formulated some new policies to encourage foreign investment, deepen the reform of the foreign trade system, and develop the Wangjiang region and open it to the outside world. Enterprises with foreign investment have been given such preferential treatment as low rents for land and factory buildings, reduction or exemption from local income tax, and high priority in receiving supplies of some raw and processed materials. Government foreign trade departments will buy export products from these enterprises or act as their export agent. To help these enterprises the government has simplified administrative procedures and improved working efficiency, and it will ensure that they have full decision-making power in operation.

Anhui has attracted investors from a dozen or so countries and regions, including countries of Western Europe and North America, and Japan, Hong Kong, Macao, and Taiwan. At first, the enterprises with foreign investment were mostly small ones. Today, there are some large enterprises operating with high economic efficiency and earning large amounts of foreign exchange. The foreign partners of some joint ventures have expanded the operations of the enterprises with additional investment.

In particular, the number of wholly foreign owned enterprises and enterprises owned by Taiwan investors has increased rapidly. In 1989, approval was given to setting up four wholly foreign owned enterprises. The establishment of six more such enterprises has been approved this year. The (Shengchang) Feather Processing Company, Limited, the first wholly foreign owned enterprise in Anhui, commenced production and export work this April.

The pattern of foreign investment has become better. Several years ago, more foreign investment was made in tourist hotels, guest houses, and other projects of the

service industry. However, in the last two years, more foreign investment was made in a dozen or so productive fields in the light, textile, machine-building, electronics, and chemical industries. A number of advanced technology, equipment and management techniques have been imported. Anhui has been able to produce a number of superior-quality products, including precision resistors, high-precision sensors, electronic measuring instruments, artificial crystal, sealant, high-grade leather, and artificial leather. The province is producing 40 export products of 12 categories, which are being sold to 13 countries and regions, including the United States, Britain, Italy, Sweden, Japan, Singapore, Thailand, the Philippines, Malaysia, Turkey, Saudi Arabia, Hong Kong, Macao and Taiwan.

Anhui's foreign trade enterprises also have invested in some Chinese-foreign joint ventures. The (Sanlian) Garment Company, Limited, is the first such joint venture. In the five years since it began operation, its production always has been export-oriented and its products always have been up to standard. The company has a good reputation with respect to fulfilling export contracts. Recently, a contract has been signed for establishing the second such joint venture in Anhui.

### Machinery Sales to Nepal Increase

HK0211022490 Beijing CHINA DAILY in English  
2 Nov 90 p 2

[By staff reporter Chang Weimin]

[Text] Sales of machinery to Nepal, a major item in China's exports to that country, have been on the rise so far this year as economic cooperation between the two countries is being expanded.

Between January and July this year, about \$7.06 million worth of machinery was sold to Nepal, doubling the amount of the same period last year, an official from the Ministry of Foreign Economic Relations and Trade (MOFERT) told CHINA DAILY yesterday.

Machinery exports began to increase two years ago as Chinese companies undertook more projects in that country for construction and equipment installation, the official said.

The projects include small hydro-electric power stations, paper mills, brick works, cement kilns and hide processing plants, he said.

China sold \$6.74 million worth of machinery to Nepal last year, 28.5 percent of China's total exports to that country and nearly three times that of the previous year.

China had a favorable balance of trade with that country for years but through efforts by both sides, Nepal's exports to China have been increased, the official said.

"The Chinese government has been cherishing the economic relations and trade with the neighbouring country and will make further efforts to boost the relations and trade," the official said.

During the January-August period, Nepal exported \$3.56 million worth of goods to China, more than doubling its exports over the same period last year.

China's exports to Nepal in the mean time stood at \$31 million, up by 2.3 percent over the same period last year, according to latest Customs statistics.

Total bilateral trade volume this year will remain around the same level as last year's \$32.8 million, the official predicted.

The trade last year was a record high and a 33 percent increase over the previous year's figure.

China buys hides and skins, medicinal herbs, jute goods and handicrafts from Nepal and sells light industrial products, textiles, medicine, chemicals, and arts and crafts.

#### Guangdong Foreign Funds Focus on Direct Investment

OW0311032090 Beijing XINHUA in English 0255 GMT 3 Nov 90

[Text] Guangzhou, November 3 (XINHUA)—Direct investment is fast becoming the main focus of overseas investors in Guangdong, according to an official from the local foreign trade department.

In the first nine months of this year 2,133 contracts involving 1.77 billion U.S. dollars of direct overseas investment were signed. That amount accounted for 69 percent of the total overseas investment in the period, and was far above the 1988 rate of only 39 percent.

Direct overseas investments are not only used to start new enterprises, but also to develop infrastructure and renew old enterprises.

The rapid increase of solely overseas-funded enterprises is another feature in the utilization of overseas investment in Guangdong.

The influx of overseas capital, which has been 930 million U.S. dollars in the first nine months this year, keeps

increasing year by year. The figure for 1989 was 710 U.S. dollars and in 1988 it was 560 million U.S. dollars.

#### Jiangsu Investment Bank Distributes Foreign Loans

OW0311093090 Beijing XINHUA in English 0911 GMT 5 Nov 90

[Text] Nanjing, November 5 (XINHUA)—The Jiangsu branch of China's Investment Bank has made full use of foreign loans, especially from the World Bank to promote the local economy.

Wang Shaoxian, vice president of the branch, told XINHUA that his bank has provided loans worth U.S. \$180 million and 950 million Japanese yen obtained from overseas banking institutions to 173 projects in Jiangsu Province, one of the most prosperous regions in China.

About 70 percent of these projects are financed by the World Bank.

The projects are distributed in major provincial industries such as the textile, machinery, energy and chemical industries.

To date, 147 projects have been put into operation, with the potential for producing an additional output of 2.2 billion yuan and an additional annual profit of over 200 million yuan.

According to Wang, at present, 80 percent of the projects are making profits. Most of them are expected to repay their debts within four years, he said.

## ECONOMIC ZONES

#### Major Indexes for Special Economic Zones Issued

HK1810140990 Beijing CEI Database in English 0855 GMT 18 Oct 90

[Text] Beijing (CEI)—Following is a list of major industrial and commercial, trade and foreign investment, and foreign exchange and finance indexes of China's four special economic zones (Shenzhen, Xiamen, Shantou and Zhuhai) from Jan. to June 1990, released by the State Statistical Bureau:

#### Major Industrial and Commercial Indexes

unit: 10,000 rub yuan

Index (output value/sales value)	Jan.-Jan.1990	Jan.-Jun.(1990)	Change (percent)
Foreign-funded enterprises	53,105		
Export product	58,870		
Fixed assets investment	158,902	191,728	-17.1
Including:			
Capital construction	148,255	189,538	-21.8
Renovation and transformation	10,647		
Total retail sales	259,172	248,249	4.4



## Major Trade and Foreign Investment Indexes

unit: 10,000 U.S. Dollars

Index	Jan.-Jun. 1990	Jan.-Jun. 1989	Change (percent)
Total export value	175,237	140,073	25.1
Including:			
Processing supplied			
Materials and compensation trade	12,743	10,798	18.0
Foreign-funded enterprises	97,712	69,408	40.8
Total import value	132,620	113,128	17.2
Newly signed contract for foreign investment (pieces)	278	164	+23.6
1. Foreign loan	2	6	-50.0
2. Foreign direct investment	265	116	+21.1
Contracted foreign capital	31,142	27,418	13.5
1. Foreign loan	78	1,776	-71.2
2. Foreign direct investment	31,015	24,698	+23.6
3. Other foreign investment	49	984	-93.7
Paid-in foreign capital	20,583	19,356	6.3
1. Foreign loan	8,255	7,667	7.7
2. Foreign direct investment	12,195	11,117	9.5
3. Other foreign investment	133	552	-55.9

## Major Indexes of Foreign Exchange and Finance

(10,000 U.S. Dollars)

Index	Jan.-Jun. 1990	Jan.-Jun. 1989	Change (percent)
Foreign exchange income	6,621	2,808	135.8
Including:			
Export of goods	5,887	2,173	170.9
Processing and assembling	584	514	13.6
Tourism income in foreign exchange	40,293	27,396	47.1
Local budgetary revenue	99,483	60,592	64.2
Local budgetary expenditure	59,152	66,843	-11.5
Balance of bank deposits	1,201,694	985,443	24.5
Balance of bank loans	1,425,518	1,177,403	21.1

## Guangzhou Economic Zone Uses More Foreign Funds

OW2010074090 Beijing XINHUA in English  
0649 GMT 20 Oct 90

[Text] Beijing, Oct 20 (XINHUA)—The Guangzhou Economic and Technological Development Zone in Guangdong Province approved contracts valued at 340 million yuan between January and September this year, 2.7 times that for the same period last year.

The contracts involved foreign funds of 50 million U.S. dollars, an all-time high 2.8 times that for the same period last year, according to today's overseas edition of the PEOPLE'S DAILY.

The foreign-funded projects are characterized by their large scale, the fact that more enterprises are solely foreign funded, and the increasing number of Taiwan-funded enterprises.

The average investment of each foreign-funded project is about 8.47 million yuan. The addition of 11 Taiwan-funded enterprises has increased the total number in the zone to 14.

The zone has signed seven land lease documents, which cover an area of 360,000 square meters.

Greater emphasis has been placed on attracting more funds from Taiwan by working out a series of preferential policies for Taiwan investors.

### **Development Zone in Qinhuangdao Makes 'Great Progress'**

OW2710091990 Beijing XINHUA in English  
0240 GMT 27 Oct 90

[Text] Qinhuangdao, October 27 (XINHUA)—The economic and technological development zone in Qinhuangdao, Hebei Province, one of China's 14 open coastal cities, has made great progress in absorbing foreign investment.

According to Ding Wenbin, mayor of the city, the zone has approved 33 foreign-funded projects including five with sole foreign investment.

These projects involve a total investment of more than 100 million U.S. dollars.

Already, 19 Sino-foreign joint ventures have gone into production or trial operation.

Covering 1.9 sq km, the zone began construction in 1985. Business people from many countries and regions have already set up enterprises there.

### **Xiamen Export Volume Rises**

OW2910134090 Beijing XINHUA in English  
1234 GMT 29 Oct 90

[Text] Xiamen, October 29 (XINHUA)—The export volume of foreign-funded enterprises in the Xiamen Special Economic Zone, Fujian Province, reached 100 million U.S. dollars during the first nine months of this year.

Before 1989 only some 43 percent of the foreign-funded enterprises were export-oriented. But by September this year this had reached 86.6 percent.

In order to improve its investment environment, the zone has upgraded its harbors to raise their handling capacity and other transport facilities.

The Xiamen Government has approved various management forms for the foreign-funded enterprises, including direct administration by the foreign side, contracted management by the foreign side, direct administration by the Chinese side and joint management.

### **Guangdong's Zhuhai To Boost Export-Oriented Economy**

OW2910224090 Beijing XINHUA Domestic Service  
in Chinese 0026 GMT 29 Oct 90

[By reporter Chen Anming (7115 1489 2494)]

[Text] Guangzhou, 29 Oct (XINHUA)—After its economic takeoff in the 1980's, the Zhuhai Special Economic Zone (SEZ) will vigorously develop a diversified and multi-level economy through horizontal economic association in the 1990's.

Liang Guangda, Zhuhai city mayor, pointed out recently: Zhuhai will transform its economy into an export-oriented one capable of earning more foreign exchange by vigorously developing horizontal economic association, particularly in association with the raw and processed materials production bases in the hinterland; in establishing more enterprises jointly operated by Zhuhai, the hinterland, and foreign firms; and by gradually formulating a new layout for economic development backed by the hinterland and oriented toward the international market. This should be the major direction for the Zhuhai SEZ's economic development for its second decade.

The attraction of foreign funds and the association with the hinterland were the two key factors leading to the Zhuhai SEZ's economic takeoff. The SEZ's export-oriented economy was initially prompted by the introduction of foreign funds. However, Zhuhai's weak industrial foundation, the shortage of qualified personnel, technology, and raw and processed materials all seriously limited the development of export-oriented economy in the Zhuhai SEZ. Association with enterprises in the hinterland brought in the badly-needed qualified personnel, technology, and raw and processed materials, greatly solidified Zhuhai's industrial foundation; increased its attractiveness to foreign firms; and further promoted the development of its export-oriented economy. According to statistics, Zhuhai has presently established horizontal economic associations with 27 departments at the central level, and over 50 counties and cities. This has resulted in the setting up of more than 1,000 internally-associated enterprises with a total investment of nearly two billion yuan. The gross industrial output value of and the foreign exchange earned by these enterprises has accounted for 20 and 70 percent of Zhuhai City's total industrial output value and foreign exchange earnings respectively. These enterprises have not only supported the development of the SEZ's export-oriented economy but also provided the hinterland with the timely feedback of information on international market. They have rapidly digested and absorbed the advanced technologies, equipment, and management expertise secured by the SEZ from abroad, and relayed them to the hinterland to facilitate the opening up of its resources and the development of new products.

Recently, the mayor and vice mayor of Zhuhai City separately led study groups to Xinjiang, Inner Mongolia, and Shandong to promote economic association and the joint development of resources in the hinterland in the hope of forming a new horizontal economic association under which responsibilities are rationally separated, participation is on a voluntary basis, and all parties concerned can bring their resourcefulness into full play.

### **Hainan Reports Economic, Agricultural Growth**

OW0111092590 Beijing XINHUA Domestic Service  
in Chinese 0641 GMT 31 Oct 90

[By reporter Chen Jiang]

[Text] Haikou, 31 Oct (XINHUA)—The economic situation of the Hainan Special Economic Zone looks bright in every aspect.

In the last two years since Hainan was made a province, energy, transportation, telecommunications, and other infrastructure sectors have improved notably, which has laid a foundation for the development of industry and other economic areas. Between January and September, the province's industrial output value totaled 1.77 billion yuan, an increase of 4.9 percent over the same period last year. Its state-run industrial enterprises realized 62 million yuan of profits and turned in \$2.6 percent more tax than that of the same period of last year.

The province also has made rapid progress in utilizing foreign capital. During the first nine months of this year, it approved 163 new foreign-invested enterprises, with a total investment of \$109.33 million. According to statistics, the province exported \$341 million of goods by the end of September (in addition to the export by Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises, and exclusively foreign-owned enterprises), fulfilling its annual export plan three months ahead of schedule. The once depressed tourism is also picking up gradually. The province received 280,000 Chinese and foreign tourists during the third quarter alone, earning \$7.68 million in foreign exchange. Some 128,000 overseas tourists stayed in the province's tourist hotels. This was an increase of 50 percent over the same period of last year and more than the total number of tourists received in the whole year.

The province's agriculture situation also is better than expected. Total grain output is expected to top 1.55 billion kg, an increase of 0.1 billion kg, making 1990 the best year in history. Total agricultural output value is expected to rise approximately four percent above the 1989 level. Revenues also has grown by a big margin. As of the end of September, the province's revenues totaled \$437 million yuan, up 17.6 percent over the same period of last year.

#### **Guangdong's Shenzhen Sells 10 Insolvent State Factories**

OW0211143290 Beijing XINHUA in English  
1314 GMT 2 Nov 90

[Text] Beijing, November 2 (XINHUA)—Ten state-owned factories in Shenzhen, which went insolvent because of poor management, have been sold, the CHINA YOUTH NEWS reported today.

A debt-ridden textile mill in the city was purchased in late September by the Yizheng Joint Chemical Fiber Corporation of Jiangsu Province, the country's largest chemical fiber company, for 8.5 million yuan.

The problem of transforming enterprises with low efficiency is an urgent issue in the reform of state-run

industries, the paper said. Shenzhen has done some pioneering work in this respect.

On April 23 the local government openly auctioned four state-owned factories to buyers from overseas and other parts of China.

It is reported that the new owners soon improved the performance of the purchased enterprises. Some of them were able to cover their purchasing expenses in merely one year.

The Shenzhen government is to set up guidelines to ensure a smooth transfer of property rights in accordance with laws and international practice. Thirteen companies from Hong Kong and overseas have applied to purchase Shenzhen factories.

#### **Shanghai Official Describes Pudong Development Strategy**

OW0411091790 Beijing XINHUA in English  
0858 GMT 4 Nov 90

[Text] Shanghai, November 4 (XINHUA)—The local government in Shanghai, the largest industrial city in China, is taking active measures to collect funds for the development of the Pudong New Area, according to former Mayor Wang Daohan.

To date, about 1.1 billion U.S. dollars from the central and local governments have been allocated over the next five years for the construction of infrastructure.

"This is only the first step," said Wang, now an economic consultant for the municipal government, adding that the infrastructure project in the Pudong New Area calls for an investment of about 10 billion U.S. dollars.

He said that the World Bank has decided to hold an international conference on the development of the Pudong New Area in the city next January.

The Pudong New Area, located on the eastern bank of the Huangpu River, was approved by the state as a special economic zone last April.

The 350-square-kilometer area between the Huangpu River and the East China Sea is the only scarcely-populated and underdeveloped part of the city, mainly because of its water-locked position. It is therefore widely regarded as a prime spot for development.

It is of primary importance to set up the communications network first. A harbor is to be built in Waigaoqiao, about six kilometers from the mouth of the Huangpu River, with an annual handling capacity of 20 million tons of cargo.

The feasibility study for the harbor is to be completed at the end of this year. Construction on the harbor is scheduled to start in 1991 and will take 28 months to complete. The harbor will boast 44 berths for 10,000-ton ships.



The Ningpu Bridge project will begin next year and last three years. The Nanpu Bridge, the largest on the river, is currently under construction. With financial aid from the Asian Development Bank, the bridge, with a span of 7,995 meters and six traffic lanes, will be finished at the end of next year.

According to Wang, the city is planning to build a third tunnel for the subway to link the old urban area and the Pudong New Area.

Wang said other improvements in the infrastructure will be conducted as the above projects are under way.

He added that the whole project should take about 25 years if circumstances are favourable.

The development of the area will greatly promote the transformation of the old urban districts, which are plagued with housing, traffic and pollution problems, the former mayor said.

## TRANSPORTATION

### New Air Routes Connect Northwest, East

OW2710091790 Beijing XINHUA in English  
0211 GMT 27 Oct 90

[Text] Lanzhou, October 27 (XINHUA)—Two new air routes linking Lanzhou, capital of northwest China's Gansu Province, with Yantai and Ningbo, cities in east China's Shandong and Zhejiang Provinces will begin operation as from 1 November of this year.

The new scheduled routes were announced by an official from Northwest China Airways, a subsidiary of CAAC [Civil Aviation Administration of China].

There will be a return flight between Lanzhou and Yantai, via Beijing, every Thursday, and another return flight between Lanzhou and Ningbo, via Beijing, every Sunday.

In addition, the route from Lanzhou to Xiamen, a coastal city in east China's Fujian Province, will be reopened at the same time.

### Liaoning's Haicheng-Xiuyan Local Railway Opens

SK2910010490 Shenyang Liaoning Provincial Service  
in Mandarin 2300 GMT 27 Oct 90

[Text] The Haicheng-Xiuyan local railway, a key construction project of the province for the Seventh Five-Year Plan period, officially began operation on 27 October. Lu Zhengcao, former vice chairman of the National Committee of the Chinese People's Political Consultative Conference, (Li Kehui), president of the Chinese Local Railway Society, and Yue Qifeng, Sun Qi, Wang Guangzhong and Lin Sheng, leaders of the provincial party committee, People's Congress, and government, attended a ribbon cutting ceremony to mark the railway's opening. Responsible comrades of the State

Planning Commission, the Ministry of Railways, the Chinese Local Railway Society, departments of the provincial party committee, and government and relevant construction units of Haicheng and Xiuyan—nearly 1,000 people—also attended.

The Haicheng-Xiuyan railway is 90.3 km long, and currently is the longest local railway in our province. Party, government and Army units and the masses of Haicheng and Xiuyan for four years exerted concerted efforts to build the railway, thus making tremendous contributions to its construction. In particular, the people of Xiuyan raised 28 million yuan for the construction despite their strained economy, thus fully manifesting the valuable spirit of the people building their railways themselves.

The economic development of Haicheng and Xiuyan long has been restricted by inconvenient transport facilities, although they have abundant resources. The opening of the Haicheng-Xiuyan railway ended Xiuyan's inaccessibility to railways and will play a very important role in developing local resources. It will help Xiuyan eliminate poverty and achieve prosperity and will further Haicheng's economic development.

### Two New Harbin Air Routes To Open in November

SK2910093090 Harbin Heilongjiang Provincial Service  
in Mandarin 1000 GMT 27 Oct 90

[Text] In November, the Heilongjiang Civil Aviation Administration will open two new air routes flying from Harbin to Hangzhou and from Harbin to Nanjing. In addition, it will also increase the number of flights from Harbin to Khabarovsk. The air route from Harbin to Hangzhou will have two flights a week, namely Monday and Friday. The ceremony to mark the first flight will be held on 2 November. The MD-82 airplanes will be used and the time for the flight is more than two hours. The air route from Harbin to Nanjing will have one flight a week, namely Sunday. Trident airplane will be used. The ceremony to mark the first flight will be held on 4 November. Since the starting of the seven-day tours, the air service from Harbin to Khabarovsk has been busy. With the approval of the Civil Aviation Administration of China, beginning from 1 November, this air route will increase service from once a week to twice a week, namely every Tuesday and Thursday. Hence, Harbin has opened international and domestic air services to 21 cities. The weekly scheduled flights number 58.

### Yunnan Improves Transport Network

OW 2710063590 Beijing XINHUA in English  
0253 GMT 27 Oct 90

[Text] Beijing, Oct 27 (XINHUA)—Yunnan, a border province in southwest China, has developed a complete transport network on land, water and in the air during the past 40 years.

Now the province has railway lines with a total length of 1,557 km. More than 20,000 km of highways were built or improved by the local people in the period between 1984 to 1987. Now its highway network can reach every county and village, according to today's overseas edition of the PEOPLE'S DAILY.

The province now has more than 130,000 civilian vehicles, 55 times the figure for 1949.

Some 1,072 km of water shipping routes have been opened on the province's rivers and lakes including the major Jinsha and Lancang Rivers. Boats can sail from Yunnan directly to Shanghai.

The province now boasts six airports, with a passenger volume ranking seventh in the whole of China. The airport in Kunming, capital of the province, handles 18 air routes reaching more than 20 cities in China and abroad.

### **Data Bank Links Yangtze River's 1,168 Ports**

HK31100310<sup>00</sup> Beijing CHINA DAILY in English  
31 Oct 90 p 3

[Text] The Ministry of Communications has established a data bank linking the 1,168 ports along the Yangtze River.

The Ministry says the computer network contains information on the location, handling capacity, docks, loading facilities and water routes of each port.

The information is condensed into about 800,000 characters and 300 charts, and tells the history, present and future plans of the ports.

The designers of the database, located in the computer centre of the Yangtze River navigation Administration in Wuhan, Hubei Province, expect it to speed up information flow and improve inland water transport.

The information is available to ship and cargo owners, to whom it can be transmitted or printed as required.

The Yangtze is China's longest river and as one of the country's trunk inland waterways connects such big cities and industrial centres as Shanghai, Nanjing and Wuhan.

## **AGRICULTURE**

### **Jilin's Grain Production Investigated**

90CE0430A Beijing NONGYE JINGJI WENTI  
[PROBLEMS OF AGRICULTURAL ECONOMY]  
in Chinese No 7, 23 Jul 90 pp 28-32

[Article by the Investigation Group of the Jilin Provincial CPPCC Committee for the Returns of Agricultural Input and Output: "Investigation on the Comparative Returns of Input and Output of Grain Production in Jilin Province"]

[Text] In merely 10 years, the grain production of Jilin Province scaled two new heights of 10 billion kg and 15 billion kg, making major contributions to the state and achieving very obvious social results. However, farmers are very concerned about how the economic returns of the input and output of grain production are. This issue has attracted the attention of all circles, and a lot of work has been done about it. But we still are not sure how this matter stands; it remains unclear. We need to take a good look at it. We think that investigating and studying the nature of the comparative returns of grain is an issue of studying the interests of 15 million farmers and finding ways to develop the advantages of grain in Jilin Province. Its purpose is to further arouse farmers' enthusiasm, readjust industrial structure, and increase the overall functions of the agricultural economy.

The main contents and range of our analysis and research are analysis and comparison of returns between different years, between several major crops, and between grain and other crops. We use the method of level-by-level analysis. First we analyze the comparative returns of total input and output. Then we analyze the comparative returns of distributed income of farmers. Finally we analyze the actual amount of comparative returns gained by farmers after deducting price factors.

### **1. The Declining Trend of Returns**

1. The increase rate of input of grain production has been greater than that of output, and the input-output ratio has declined. First, let us look at the input. Jilin's total input in grain production was 733 million yuan in 1980, 947 million yuan in 1981, 1.087 billion yuan in 1982, 1.02 billion yuan in 1983, 1.486 billion yuan in 1984, 1.348 billion yuan in 1985, 1.666 billion yuan in 1986, 2.113 billion yuan in 1987, and 2.449 billion yuan in 1988. The average annual increase rate of these 9 years is 16.3 percent. The total input of 1988 is 3.3-fold of that of 1980 and 2.4-fold of that of 1983. An analysis of the tendency of input in the nine years shows that the increase was steady in the first few years but became sharp in the last three years, setting a new record every year. The history of input in these nine years clearly indicates that Jilin Province is willing and daring to invest in grain production. This probably is also an extremely important condition for the steady increase of Jilin's grain production.

How was the total income generated by the input of grain production in these nine years? Except for 1985 when we had natural disasters, the increase was sharp too. Total grain income was 2.44 billion yuan in 1980, 2.785 billion yuan in 1981, 3.054 billion yuan in 1982, 4.247 billion yuan in 1983, 4.8 billion yuan in 1984, 4.024 billion yuan in 1985, 5.364 billion yuan in 1986, 6.601 billion yuan in 1987, and 7.128 billion yuan in 1988. The total income of 1988 is 2.9-fold of that of 1980 and 68 percent higher than that of 1983. The average annual increase rate of the nine years is 14.3 percent.

We should say that the increase rates of grain input and output are both very high, but the former is obviously much higher than the latter. Especially in recent years the two increase rates were very uncoordinated. Because of this, the comparative returns of input and output are obviously different. Comparing the last two years with 1983 can explain this point very clearly. In 1987, input increased 107.2 percent as compared to that of 1983, but output increased only 55.4 percent. In 1988, input increased 140 percent and 15.9 percent respectively as compared to that of 1983 and 1987, but output increased only 67.9 percent and eight percent. The input-output ratio was 1:3.33 in 1980, 1:4.16 in 1983, 1:3.12 in 1987, and only 1:2.91 in 1988. The input-output ratio was highest in 1983 when one yuan of investment yielded 4.16 yuan of returns. The input-output ratio declined continuously in recent years. Not only was it much lower than that of 1983, it could not even reach the level of 1980. Grain output hit an all-time high in 1988, but the input-output ratio was the lowest in the nine-year period.

2. The increase rate of input of grain production has been higher than that of net income, and the comparative returns of farmer income have declined. Total income generated by the input-output returns of production is not the farmers' actual profit. It needs to be redistributed. After deducting annual production costs, paying everything that needs to be paid to the state, and taking away what belongs to the collective, what is left will then go to farmers themselves. Generally speaking, agricultural tax delivered to the state increased yearly. In 1980 it was 97 million yuan and by 1988 it had risen to 198 million yuan, an increase of 101 million yuan, more than double that of 1980 and an average annual increase of 9.3 percent. Funds retained for collective use were 280 million yuan in 1980 and 500 million yuan in 1988, showing an increase of 78.6 percent and an average annual increase of 7.5 percent. Farmers' actual net income was 1.329 billion yuan in 1980, 1.403 billion yuan in 1981, 1.525 billion yuan in 1982, 2.822 billion yuan in 1983, 2.813 billion yuan in 1984, 2.24 billion yuan in 1985, 3.238 billion yuan in 1986, 3.887 billion yuan in 1987, and 3.981 billion yuan in 1988. During the 1980-1988 period, it increased 199.5 percent and its average annual increase was 14.7 percent. With regard to the relations between the state, the collective, and the enterprise, agricultural taxes delivered to the state and funds retained for collective use also increased in the nine-year period, but their increase rates were both lower than the increase rate of the net income of commune members. This shows that special considerations were given to commune members in distribution regarding the increase of their net income. In spite of this, as far as the input-output ratio—production input and farmers' net income—are concerned, the last three years were much worse than 1983. In 1980, the input-output ratio between production input and net income was 1:1.81. In 1983, it rose to 1:2.77. After that, it declined every year. It was 1:1.94 in 1986, 1:1.84 in 1987, and 1:1.63 in 1988. The problem became even more prominent in recent years especially in 1988. The total income of 1988 was

527 million yuan, or eight percent, higher than that of 1987. The increase rate was not small. But farmers' net income of 1988 was only 94 million yuan, or 2.4 percent, higher than that of 1987. The increase of farmers' net income was only 17.8 percent of the increase of total income. Most part of the increase of total income went to production cost. The production cost of 1988 was 335 million yuan, or 15.9 percent, higher than that of 1987, accounting for 63.6 percent of the increase of total income. The increase rate of funds retained for collective use was also too high. In 1988 such funds increased 90 million yuan, or 22 percent, compared with 1987, accounting for 17.1 percent of the increase of total income. Compared with 1987, input was higher and output and efficiency were lower in 1988. Input increased 335 million yuan, but farmers' net income increased only 94 million yuan, averaging 6.51 yuan per farmer. In 1988 Jilin Province's per-capita income increased 104.45 yuan as compared to that of 1987. The increase of grain income was only 6.2 percent of that of per-capita income.

3. The increase rate of prices has been greater than that of net income, and farmers' actual income has declined. The two levels of input-output comparative returns we analyzed above did not eliminate the factor of price increases, so they are not real input-output returns. If we eliminate the factor of prices, input and output will be much different from what we mentioned before. Take net grain income for instance. After deducting the price factor, net grain income was 1.329 billion yuan in 1980, 1.38 billion yuan in 1981, 1.456 billion yuan in 1982, 2.625 billion yuan in 1983, 2.512 billion yuan in 1984, 1.822 billion yuan in 1985, 2.5 billion yuan in 1986, 2.793 billion yuan in 1987, and 2.386 billion yuan in 1988. During the 1980-88 period, net grain income increased 79.5 percent, not 199.5 percent, and its average annual increase was 7.6 percent not 14.7 percent. In two of the last three years, the actual net income was lower than that of 1983. Compared with 1983, net income declined 4.7 percent in 1986. Compared with 1983, grain output increased 16.9 percent in 1987, but net income increased only 6.4 percent. Compared with 1983 and 1987, grain output increased 17.7 percent and 1 percent respectively in 1988, but actual net income decreased 9.1 percent and 14.6 percent respectively.

4. Comparison of returns among three major crops. Studying the comparative returns of several major crops can provide the scientific basis for increasing input and readjusting the mix of crops in the future. We analyzed and studied the comparative returns of input and output of Jilin's major grain crops—corn, rice, and soybean—and found, as people usually think, that rice has the best economic returns among the three major crops. In 1988 the per-mu input of rice increased 68.5 percent as compared to that in 1983, and output increased 65.4 percent which was fairly close to the increase of input. Comparing 1988 with 1987, the increase rate of the returns of rice output was higher than that of rice input. Input increased 8.1 percent and output increased 22.2



percent. This shows that as long as irrigation and soil conditions permit, it is most worthwhile to expand the acreage of rice fields. The input-output return of corn is much worse than that of rice for its input has increased substantially and its output increased much slower than its input. In 1988, the per-mu input of corn increased 156.6 percent as compared to that of 1983, but the per-mu yield of corn increased only 48.9 percent. Comparing 1988 with 1987, per-mu input increased 21.4 percent and output increased only 8.1 percent. The increase rates of soybean input and output were about the same as corn's. Comparing 1988 with 1983, the input-output ratios of the three crops all declined, but at different rates. Corn dropped 42 percent, the greatest; soybean dropped 37.1 percent, the second; and rice dropped only 1.8 percent.

5. The Comparison of Returns Between Grain Crops and Other Trades. According to the analysis of cost accounting information of farm products, the economic returns of grain are not as good as the economic returns of cash crops and other crops. For instance, in 1987 farmers could earn a net income of 91.57 yuan for planting 1 mu of grain whereas they could earn 160.08 yuan for hemp, 266.06 yuan for sun-cured tobacco, 269.19 yuan for flue-cured tobacco, 206.39 yuan for cabbage, and 162.71 yuan for watermelons. As for the returns of animal husbandry, and secondary and tertiary industries, we did not conduct concrete investigation, study, and comparative analysis. However, people say that under normal circumstances, the economic returns of these trades are also higher than those of grain production.

## II. Main Causes and Countermeasures

The main causes of the decline in the comparative returns of grain input and output are issues concerning prices, structure, the excessive burden of farmers, and the understanding of leaders. Due to these reasons, we should adopt the following emergency measures:

1. We should gradually readjust the irrational price parities between capital goods and grain. A host of facts show that in recent years, the price parities between industrial and agricultural products were continuously enlarging instead of gradually narrowing. The prices of seeds, pesticide, and plastic film—input of grain production—have been rising year after year. Chemical fertilizer is the major part of input. Before 1986, the rate of price increase was not high. It became higher and higher in the last 3 years. The rate of increase was very high. The price situation of chemical fertilizer supplied by the Gongzhuling City Agricultural Means of Production Company is as follows: The average price of four chemical fertilizers—ammonium nitrate, diphenylamine, carbamide, and hydrogen ammonia—was 364.2 yuan per natural ton in 1983; 521.3 yuan in 1986, an increase of 43.1 percent over 1983; 625 yuan in 1987, an increase of 19.9 percent over 1986; 864.5 yuan in 1988, an increase of 38.3 percent over 1987 and an increase of 137.4 percent over 1983. In order to get a clearer picture of the

price situation of chemical fertilizer used by farmers, we carried out a field investigation and clarification of Jujadian village of Maochengzi Township of Gongzhuling City. diphenylamine cost 600 yuan per natural ton between 1984 and 1985, 800 yuan in 1987, 975 yuan in 1988, and 1,413 yuan in 1989. Carbamide cost 520 yuan between 1984 and 1985, 600 in 1987, 757 yuan in 1988, and 840 yuan in 1989. The prices of these two chemical fertilizers increased substantially year after year. The average price of the four chemical fertilizers was 642 yuan in 1988 and 786 yuan in 1989, an increase of 22.5 percent.

Let us take another look at the price situation of grain output. Grain prices have also been rising over the years. The problem is the increase rate is smaller. According to the information provided by the provincial statistics bureau, the procurement price index of grain was 100 in 1983, 107.6 in 1986, 114.5 in 1987, and 117.4 in 1988. The procurement price of 1988 was 17.4 percent higher than that of 1983. The price index of chemical fertilizer was 100 in 1983, 120.1 in 1986, 140.8 in 1987, and 166.9 in 1988. The price of 1988 was 66.9 percent higher than that of 1983. One increase was 17.4 percent, and the other, 66.9 percent. The increase rate of grain price was much lower than that of chemical fertilizer. Like farmers say, grain price takes one small step every several years and chemical fertilizer price takes one giant step every year.

In view of this situation, we think we should adopt the following measures:

A. Readjust price parities and gradually narrow the scissor differential between industrial and agricultural products. The power to readjust the price of grain in a contract lies in the central government, not local governments. What is encouraging is that the central government has paid attention to the irrational price ratios. In our opinion, if national strength permits, we should gradually lower the prices of industrial goods for agricultural use to ensure that the price parities between industrial and agricultural products are balanced and rational. The problem of readjusting price parities cannot be solved overnight. Even under this situation, there are still ways to lower the actual prices of capital goods for agricultural use. Along with the gradual improvement of financial situation at all levels in Jilin Province, we should gradually increase the ratio of chemical fertilizer and diesel supplied at state prices and reduce the portion of such goods supplied at free market prices. In the improvement and rectification campaign, we should be determined to cut off those unnecessary middle links and let farmers have as much profit as possible. At the same time, we should also deal severe blows at speculation and profiteering activities such as forcing up prices so that one can sell what he bought at lower prices to benefit from such transfers.

B. Vigorously suggest that the state reduce the contract procurement of grain. This will produce instant results as far as increasing the comparative returns of grain input

and output is concerned. The current situation is: The national contract of grain procurement is 50 billion kg, accounting for 12.5 percent of total grain output. Before 1985 Jilin's contract of grain procurement was 1.49 billion kg, accounting for 16.6 percent of total grain output which was 9 billion kg at that time. After 1985, the figure shot up to 4.13 billion kg, accounting for 27.5 percent of total output which was 15 billion kg. In order to guarantee the fulfillment of state-assigned task, the province and prefecture levels of Jilin Province added another 8 percent when they assigned tasks to lower levels. As a result, the provincial contract of grain procurement became 4.5 billion kg, accounting for 30 percent of total output. Obviously, Jilin Province's grain procurement task is much greater than the rest of the nation. If we calculate on the basis of commodity grain sold by farmers, the ratio of state-price grain is even higher, about 50 percent. State-price and market-price grain each account for a half. If we can lower the proportion of contract procurement grain in total grain output from 27.5 percent to 20 percent—namely from 4.13 billion kg to 3 billion kg—grain income may increase by 300 million yuan, calculated on the basis of the difference between state and market prices. On the average, each farmer's household can get an additional 100 yuan or so in income.

C. Increase input and, more importantly, rationalize input. We need to increase input in many fields. The focus of input should still be the crop-growing industry, especially grain. This should not be shaken. The problem is the input inside the crop-growing industry. We should stress the principle of efficiency. Under the prerequisite of stabilizing total grain output, we should invest in the area which requires little input and has high yield and economic returns. We should overcome blindness existing to a certain degree in input and use limited capital input where it is really needed.

2. Try every possible way to increase the economic returns of agriculture. Jilin Province should adhere to the following guiding principles in agricultural development: stabilizing total output, increasing staying power, readjusting structure, coordinating development, and increasing efficiency.

**Stabilizing total output.** Beginning 1990, the average annual grain output of Jilin Province in the next 3 years should be stabilized at the level of 16.25 billion kg. Main reasons are: 1) The average annual grain output of Jilin Province in the 3-year period between 1987 and 1989 was the highest in history. It was 16.76 billion kg in 1987, 16.93 billion kg in 1988, and 13.5 billion kg, the lowest, in 1989 in spite of natural disasters. The total output of the three years was 47.2 billion kg, averaging 15.75 billion kg. From now on, it should be stabilized at the level of 16.25 billion kg. The total output of the next 3 years should reach 48.75 billion kg, 1.5 billion kg or 3.3 percent more than the total output of last 3 years. Because of this, the idea of stabilizing the total output we suggested is not necessarily passive. Instead, it is seeking growth in stability for we cannot reach the goal of

stabilizing total output without first increasing production. Judged from Jilin's actual comprehensive production capacity, it is not impossible, through efforts, to reach this level. 2) Several decades of history shows that there are stages in increasing grain output and that grain output does not increase continuously. It always fluctuates between years. We cannot imagine that it will not fluctuate in the future. 3) Stabilizing the total grain output at the level of 16.25 billion kg can satisfy the grain need of all fields. After satisfying the need of grain "retained for three purposes" in rural areas, it can guarantee the fulfillment of the state-assigned task of contract grain procurement and satisfy the need of grain for state exports. It can also provide several billions of grain for the development of animal husbandry and the grain processing industry. 4) Because Jilin's arable land is limited, only by adopting the strategy of stabilizing total output within a given period can we provide more room for development in the readjustment of industrial structure and the coordinated development of agriculture.

**Increasing staying power.** To develop agriculture, we must establish the thinking of building up agriculture and pay attention to both regular agricultural operations and agricultural build-up. Only by doing so can we continue to increase the staying power of agriculture. The main cause of fluctuation in grain production is natural disasters. This shows that our agricultural infrastructure is weak, our ability to resist natural disasters is low, and we do not have enough staying power. This reminds us that in the future we should continue to increase agricultural input and strengthen agricultural infrastructure. While organizing well current agricultural production, we should consistently and vigorously engage in farmland capital construction, do a good job in the comprehensive development and construction of agriculture, carry out transformation of existing intermediate- and low-yield fields, and develop and utilize new agricultural resources. At the same time, we should vigorously strengthen the infrastructure of agricultural scientific research, technological popularization, and personnel training, increase the production capacity of agricultural mechanization, and realize the change of traditional agriculture to modernized agriculture.

**Readjusting structure.** Structure determines functions. Only when structure is rational, can development be coordinated and higher economic returns be achieved. At present, the structure of Jilin's crop-growing industry is not balanced enough. There is too much corn and not enough oil-bearing crops. There is too much coarse food grain and not enough fine food grain. There is too much grain crops and not enough cash crops. There is great potential in structural efficiency. Among grain crops, corn acreage should not exceed 30 million mu. Its total output should be guaranteed by increasing per-mu yield. As per-mu yield increases, corn acreage should be reduced to a certain degree. Rice has high output and economic returns. It is also a fine food grain. From now on, as long as soil and irrigation conditions permit, all

localities must vigorously expand rice acreage. Social demand for soybean is great. Judged from its current price, economic returns are not that low. So if conditions permit, all localities should expand soybean acreage. We should carry out research on new varieties, study methods to prevent disease, and increase per-mu yield and total output. Wheat is a fine food grain. It is needed not only by farmers to improve their living standards but also by animal husbandry to make mixed fodder. From now on we should plant more wheat in areas where there is a custom of growing wheat and where irrigation conditions exist. In the crop-growing industry, sugar-bearing and oil-bearing crops cannot satisfy social demand. In the future we should determine the acreage in accordance with the demand situation, improve the strain, prevent and control diseases, readjust price policies, and vigorously develop the production of sugar- and oil-bearing crops.

3. Protect farmers' interests and reduce their irrational burdens. Increasing the comparative returns of grain input and output is the precondition of increasing farmers' income, but irrational distribution and excessive burdens can also affect the increase of farmers' actual income. Although under the current system, there is a "limit to the number and amount" of farmers' burdens, the actual situation is that such a limit is often not enforced. The system stipulates that farmers' burdens should not exceed 5 percent of the total amount of distribution in the previous year. But the actual figure has far exceeded this ratio. According to the sample survey of 20 village conducted by the Jilin Provincial Agricultural Department, farmers' actual burden was 7.6 percent in 1988 and reached 10 percent in many localities. In 1988, Jilin's per-capita income was 627.5 yuan. Calculated on the basis of 7.6 percent, per-capita burden was 47.96 yuan and per-household burden was over 220 yuan. Farmers' burdens are increased under a multitude of names, by numerous departments, and in all fields. The most effective solution to this problem is law. We suggest that the departments concerned formulate rules and regulations concerning farmers' burdens, submit them to the standing committee of the provincial people's congress for approval, and have the provincial government announce and enforce them. All departments must do everything according to law, enforce law and discipline strictly, and ensure that all rules and regulations are observed and all violations are investigated so as to put the issue of farmers' burdens onto the track of legal system.

4. Increase the concept of efficiency and include increasing efficiency in the agenda of leaders. To increase the comparative returns of the input and output of grain and even agricultural production in Jilin Province, we must work hard in many fields and develop the effect of work as a whole. It is extremely important to change leaders' thinking and make them more aware of economic returns. Although there are many standards for judging the performance of economic work and the size of achievement, economic returns must be considered as the center. In economic work this standard

should also be used to evaluate the performance of cadres, especially leading cadres, so as to help economic work get on the track centered on increasing economic returns.

## Overstocking of Wool in Heilongjiang

### 'Wool War' Discussed

91CE0005A Harbin HEILONGJIANG RIBAO  
in Chinese 5 Sec. 10 p 2

[Article by Hao Jianhua (6787 1696 5478): "Overstocking of Wool. Causes and Solutions"]

[Text] Sheared in June, and sold in July—wool accounts for a major part of the peasants' income. But this is early September, the wool procurement points in Heilongjiang's main wool producing regions have not gone to work yet. Things are unusually quiet. For the sheepherding households, this year's new wool will pile on top of last year's old.

#### 1.

Do we really have a wool surplus or shortage? Currently, China's wool spinning facilities can use more than 250,000 tons of scoured wool a year, but domestic production is only 60,000-70,000 tons. We are less than 30 percent self-sufficient. Heilongjiang's wool spinning industry has 79,000 spindles, which can use 5,000 tons of scoured wool, but the province only produces around 2,400 tons a year, meeting only 50 percent of the needs.

Why is there suddenly an excess supply of this normally scarce resource?

The "wool war" is still casting a shadow: The "wool war" of a few years ago led people to add more and more impurities to the wool, lowering the scoured-rate from 30 percent to around 15 percent while prices surged from a little more than 6 yuan a kilo to 12-13 yuan a kilo. As a result, wool spinning enterprises began to shy away from domestic wool and would rather pay a higher price for imported wool instead.

Wool from Australia and New Zealand may cost \$7-8 a kilo, but the scoured-rate is as high as 75-80 percent, the fiber is 10 cm long, and fiber count is 70 and higher. Heilongjiang's northeast fine-wool sheep are ranch-kept or raised by specialized households. Under normal circumstances, the scoured-rate is around 40 percent, fiber length is 8.5 cm, and fiber count is around 58-64. The luster, elasticity, tenacity, and the finished products do not measure up to the standards of imported wool, and many peasant households cannot even meet these lower standards. Thus, it is understandable that the manufacturers would prefer imports.

Some manufacturers still have wool left over from the "wool war." For instance, Harbin Wool Spinning Mill has around 3,000 tons of wool in stock, which, based on its current productive capacity, can last more than a year. As a result, of the 3,200 tons of wool purchased by



the Provincial Native Product Company last year, only 150 tons have been sold so far.

Today, although the province has boosted the scoured rate of its wool back up to over 30 percent and prices have fallen, the market has changed drastically. The wool market has turned from a sellers' market into a buyers' market. Everyday, wool salesmen knock on the doors of mills which are no longer stocking a year's supply of wool. Enterprises too have their own problems:

Woolen goods are not selling, and there is a shortage of procurement funds; since the second half of last year, the market has been swept by a sudden change. Even famous brand products are not selling. We normally export 200,000-30,000 "Wohu" brand blankets a year; only 37,000 were exported last year, and none this year. Between January and June, commercial procurement of the province's woolen goods was down by 170,000 meters compared to the same period a year ago. The province's wool spinning enterprises have more than 200 million yuan's worth of goods in stock. Some enterprises have suspended or semi-halted operation, drastically reducing the demand for wool.

The circulation channels may want to buy more wool, but they have financial problems. The Provincial Native Products Company lost 1.4 million yuan in its wool procurement last year. If it purchases more and fails to make sales, its loss will be intolerable. Company manager, Diao Bingyou [0431 3453 0645], said that in the interest of the peasants, as long as the company is not losing more money, it will continue to purchase the wool despite the hardship. Qiqihar Prefecture has 2.5 million kilos of wool this year, which would require 20 million yuan in procurement funds, but the Qiqihar City Native Products Company and the Huaqi Livestock, Industrial, and Commercial Associated Enterprise have managed to raise only 6 million yuan.

The high price of woolen goods slows sales, and the manufacturers are scrambling to readjust the product-mix. Wool producers, the circulation departments, and wool spinning enterprises which made money a few years ago when wool prices soared and the price of woolen goods were jacked up, are losing ground in their respective market today as a result. Pure wool blankets which had retailed for around 80 yuan each were selling for as much as 205 yuan in 1985, putting them beyond the reach of most consumers. Fewer and fewer people are showing interest in wool fabric that cost 70-80 yuan a meter as 20-30 yuan wool-acrylic goods become hot-sellers. Wool-spinning enterprises are scrambling to readjust the product-mix and have reversed the pure wool to acrylic use-ratio from 7:3 to 3:7. Harbin No. 2 Wool Spinning Mill once specialized in fine-spun, high-quality woolen goods and required 1,000 tons of wool a year. Today, it is producing wool-acrylic goods with 30 percent wool, reducing the demand for wool to 400-500 tons a year.

## II.

Summing up the above, it is obvious that many factors contribute to the current overstocking of wool. But no matter what, if we look at the overall and long-term situation, there is still a wide gap between domestic wool production and actual need, and the temporary over-supply is due partly to unfavorable external conditions and partly to domestic wool's inherent problems. If these factors should change, we will be facing a wool shortage again.

The current overstocking of wool will have an adverse effect on the livestock-raising industry. Running out of money, the peasants will slaughter their sheep in droves and will let the improved breeds deteriorate. As a result, Heilongjiang's newly developed sheepherding industry will slip, and the peasants will lose more money. In the long-run, this will have an adverse effect on the development of Heilongjiang's wool spinning enterprises.

Government departments and enterprises in the circulation and production sectors agree that it is important to purchase the wool and sustain the peasants' enthusiasm in wool production. The following are some of their suggestions on how to weather the current crisis:

1. The native products companies, the livestock, industrial, and commercial associated enterprises, and the textile industry supply and marketing companies should make joint purchases.
2. The price of wool should be lowered to the pre-"wool war" level.
3. The government should introduce a preferential policy to help raise wool procurement funds, and local government should provide a reasonable amount of subsidy.
4. Enterprises should actively readjust the product-mix, produce more hot-selling goods, and activate funds to buy more raw materials.
5. The price of woolen goods should be lowered, and the commercial departments should procure and market local products.
6. Restrict wool import.

Of course, if we want to really stabilize wool production, we must also take a series of long-term measures. Based on my own studies, it is my opinion that the people are expecting too much from the government's interventions. The concept that one must take the initiative to organize one's production to meet the market's needs has not yet been established. Many people still cling to the old concepts left behind by the system of state monopoly of purchases and sales. They still believe that the government should purchase everything they produce and the government should guarantee everything they need. The production, supply, and marketing links have not established a relationship that is based on mutual benefits and which complies with the laws of economics.

At the First National Woolen Fabric Exhibit and Sales Fair last September, Qiqihar's Huaqi Livestock, Industrial, and Commercial Company sold 200 tons of wool at a high price of 38 yuan a kilo, at a time when the market price was only 12-13 yuan a kilo at the most. The reason was that the wool had come from a ranch which used fairly advanced scientific rearing methods and had a 46 percent scoured-rate. This proves that improving the wool quality is fundamental to making Heilongjiang's wool more competitive. The peasants cannot simply count on the circulation departments to buy all their wool, nor can they rely on the government's protective policies to maintain the status quo. Rather, they must foster the idea of improving quality and competitiveness and look at things from a long-term point of view. They must learn what the wool spinning enterprises want, but they must also know who the real god of the wool consumption market is—the consumers. As the living standard rises, the popularity of high-grade, soft, and luxurious woolen goods will multiply. In order to satisfy market demand, enterprises will be more selective about what material they use. Only by increasing the per-unit yield and improving wool quality can the sheepherding industry capture the market and adapt to market changes and keep up the growth momentum.

Under the present circumstances, however, it is grossly inadequate to rely just on the peasants to develop Heilongjiang's sheepherding industry. We need the concerted effort and support of all sectors. At present, the agricultural, industrial, and commercial sectors each are doing things their own way. They carve out territories and block each other's progress. Although the three share a relationship of mutual interests, there is no mutual support and no mechanism to promote common development. No channel exists to help the peasants interpret the market signals correctly, and inevitably, they are tempted by short-term profit and tend to make the wrong decisions. As for the circulation link, with each department acting in its own interest, there is also the tendency to grab everything that promises profit and neglect everything that does not generate immediate gain. The manufacturers do not have a solid raw material base, are constrained by volatile raw material productions, and have lost their initiative to capture the market. Thus, the agricultural, industrial, and commercial sectors must form a closer alliance to look out for each other's interest and share the risks. The peasants must supply the raw materials enterprises want, and enterprises should provide the peasants with various services to sustain production growth.

#### Notice Issued on Procurement

91CE0005B Harbin HEILONGJIANG RIBAO  
in Chinese 14 Sep 90 p 1

[Article entitled "Provincial Government Issues Urgent Notice—All Out Effort To Procure Wool Urged"]

[Text] On 12 Sep, the provincial government issued "An Urgent Notice on This Year's Wool Procurement and

Management Tasks," urging the localities to purchase all the wool offered by the peasants and sheepherders.

Reportedly, the province will have an estimated 7,000 tons of commodity wool this year. Adding the 2,000 to 3,000 tons of old wool from last year which the peasants are stuck with, there will be 9,000-10,000 tons of commodity wool. The "notice" said that the wool purchasing channels will remain the same this year. The supply and marketing cooperatives, the livestock, industrial, and commercial companies, and direct delivery by the sheepherders will remain the three procurement channels. Based on previous years' procurement percentages, the supply and marketing cooperatives are expected to purchase 5,800-6,500 tons; the livestock, industrial, and commercial companies will purchase 1,900-2,100 tons, and direct delivery will account for 1,300-1,500 tons. The procurement funds are to be raised by the respective operating enterprises or their management departments, and any shortfall will be made up by bank loans, provided that funds for wheat procurement are already guaranteed. Wool procurement price will follow the minimal protection price. Grade 1 fine wool will be priced at 6.32 yuan per kilo; Grade 2 improved wool at 5.54 yuan a kilo; other grades will be priced according to each system's fixed price differential for each grade.

The "notice" said that to sustain the development of Heilongjiang's sheep production, all localities must restrict wool import. Until the end of 1991, enterprises in the wool business and industrial enterprises that use wool as a raw material are prohibited from purchasing wool from other provinces, nor are they allowed to import wool or wool filaments. Approval from the provincial planning commission is required before receiving state-allotted imported wool or wool filaments to facilitate overall planning and integrate the use of domestic and imported wool.

#### Inner Mongolia Reports Bumper Harvest

QW0811140890 Beijing Domestic Service in Mandarin  
10:40 GMT 8 Oct 90

[From the "National Hookup" program]

[Text] According to a NEIMENGGU RIBAO report, Inner Mongolia Autonomous Region has reaped a bumper harvest this year. Its grain output totaled 9.73 billion kg, up 43.5 percent compared with the last year's figure. The average per capita grain reached some 450 kg, hitting a record high.

To achieve self-sufficiency in grain supply, party committees and governments at all levels in Inner Mongolia Autonomous Region have adopted a series of measures to stress the importance of agriculture as the foundation of the economy and to increase its input. This year the special appropriations and revolving funds for agriculture at the regional level alone were increased by 25 million yuan. Bank loans for agriculture during the first half of this year amounted to 1.49 billion yuan, while the funds raised by peasants themselves for agricultural

production totaled 160 million yuan. Per capita labor devoted to agriculture averaged 23 workdays, exceeding the nation's average. This year's supply of chemical fertilizers, pesticides, plastic mulching sheets, and diesel oil basically met the needs of production, changing the problem of insufficient supply experienced for years.

This year, in Inner Mongolia, more than 40,000 cadres and scientific and technical personnel went deep into the forefront of agricultural production to do down-to-earth work for the purpose of developing agriculture. Under the guidelines of the bumper harvest program, they made a positive effort to popularize the application of science and technology to agriculture. As a result, 21.96 million mu of land were farmed by the model cultivation method, the total acreage of paddy fields increased by 400,000 mu, and compound fertilizers adjusted to meet the actual needs were applied to more fields than in last year. The region's average grain output per unit area exceeded 150 kg for the first time this year and reached 167 kg.

#### **Hunan Cotton Area, Procurement**

40060006D Beijing JINGJI XIAOXIBAO in Chinese  
10 Oct 90 p 1

[Summary] This year the cotton area in Hunan Province is 1,730,000 mu, estimated output is 1,900,000 dan, and commercial departments will procure 1,800,000 dan. Funds worth 525 million yuan have been raised to procure 1.5 million dan of cotton from August to December, of this amount 175 million yuan will be used to ship 500,000 dan of cotton outside Hunan.

#### **Hubei Cotton Procurement**

40060007B Wuhan HUBEI RIBAO in Chinese  
11 Oct 90 p 1

[Summary] As of 5 October, Hubei Province had procured 255,900 tons of cotton, fulfilling 68.23 percent of the plan.

#### **Anhui Autumn Crop Area**

40060008C Hefei ANHUI RIBAO in Chinese  
12 Oct 90 p 1

[Summary] The autumn wheat area in Anhui Province is 3 million mu, the rape area is 1.6 million mu and the green manure area is 5 million mu.

#### **Beijing Autumn Wheat Area**

40060007A Beijing BEIJING RIBAO in Chinese  
14 Oct 90 p 1

[Summary] The autumn wheat area in the suburbs of Beijing is 2,835,000 mu.

#### **Henan Corn Seed Area, Output**

40060008H Zhengzhou HENAN RIBAO in Chinese  
15 Oct 90 p 1

[Summary] At the beginning of 1990 the planned corn seed area in Henan Province was 400,000 mu, output 60 million kilograms, and per mu yield 125 kilograms, the actual area sown was 440,000 mu, output 68 million kilograms, and the average per mu yield was 150 kilograms.

#### **Guaranteed Price Set in Hunan**

40060007D Changsha HUNAN RIBAO in Chinese  
15 Oct 90 p 1

[Summary] Beginning 1 October, the guaranteed price for negotiated purchases of rice (medium grade) in Hunan Province is 35.15 yuan per 50 kilograms.

#### **Jiangxi Cotton Procurement**

40060006E Nanchang JIANGXI RIBAO in Chinese  
15 Oct 90 p 1

[Summary] As of 5 October, Jiangxi Province had procured over 258,000 dan of ginned cotton, an increase of 197,300 dan over the same period in 1989.

#### **Guizhou Tobacco Procurement**

40060006F Beijing JINRONG SHIBAO in Chinese  
16 Oct 90 p 1

[Summary] As of 16 October, Guizhou Province had procured over 4 million dan of flue-cured tobacco, fulfilling 70.7 percent of the annual plan. Tobacco procurement funds exceed 750 million yuan.

#### **Sichuan Cotton Procurement**

40060007E Chengdu SICHUAN RIBAO in Chinese  
17 Oct 90 p 1

[Summary] From 10 September to 10 October, Sichuan Province procured 45094.6 [as published] tons of ginned cotton, fulfilling 45.1 percent of the plan.

#### **Zhejiang Barley, Rapeseed Procurement Prices**

40060008A Beijing NONGMIN RIBAO in Chinese  
19 Oct 90 p 1

[Summary] To encourage peasants to plant spring grain, Zhejiang Province has set spring grain prices. The procurement price for beer barley will be 40 yuan per 50 kilograms and the procurement price for rape will be 70.40 yuan per 50 kilograms.

#### **Jiangxi Forest Area**

40060007F Nanchang JIANGXI RIBAO in Chinese  
20 Oct 90 p 1

[Summary] The forest area in Jiangxi Province is 89,890,000 mu and the forest cover is 35.9 percent.



**Jiangxi Tobacco Area, Procurement**

40060007C Nanchang JIANGXI RIBAO in Chinese  
22 Oct 90 p 1

[Summary] This year the tobacco area in Jiangxi Province is 265,000 mu. As of 22 October, Jiangxi had procured more than 250,000 dan of tobacco.

**Mainland Exports More Pigs to Hong Kong**

OW0111233090 Beijing XINHUA in English  
1443 GMT 1 Nov 90

[Text] Shenzhen, November 1 (XINHUA)—China exported over 1.82 million live pigs to Hong Kong in the first 10 months this year, earning an additional 57.65 million Hong Kong dollars (7.39 million U.S. dollars) over the same period last year.

During the period, east China's Jiangxi Province exported 150,000 live pigs, of which 99.03 percent met quality standards. Central China's Hunan Province exported 410,000 live pigs, 98.65 percent of which were up to standards.

The attainment of such large percentages of animals reaching quality standards was due to the great efforts made by the Shenzhen Harbor Animal and Plant Quarantine Station and concerned foreign trade units.

Since the beginning of this year, the Shenzhen Quarantine Station has instituted a series of measures to direct quarantine work on pigs exported through Shenzhen Harbor. Meanwhile, the station also sent senior veterinarians to direct epidemic prevention at production bases.

**Farm Machinery Export Develops Steadily**

OW0311222990 Beijing XINHUA in English  
1518 GMT 3 Nov 90

[Text] Beijing, Nov 3 (XINHUA)—China is expected to earn 140 million U.S. dollars this year by exporting farm machinery, a department manager from the China Farm Machinery Export and Import Corporation said today.

He said farm machinery has been listed as one of the 21 machinery and electronic products which enjoy special support from the state. As of this year, 49 farm machinery enterprises has been given preferential export treatment by the state.

According to the corporation, China made only 25 million U.S. dollars from exports of farm machinery in 1985, but the export volume went up to 110 million U.S. dollars last year, raising the export rate of industrial output from 0.8 to 2.8 percent.

At present, China's farm machinery enterprises are pushing ahead with technological advances in order to improve the quality of their products and win over new customers on the international market.

**Heilongjiang Beet Output Tops Previous Highs**

SK0411071490 Harbin Heilongjiang Provincial  
Service in Mandarin 1000 GMT 3 Nov 90

[Summary] Heilongjiang Province has reaped an especially bumper beet harvest this year. Its total output has reached more than 6 million tons, a near 500,000 ton increase over 1988. The bumper beet harvest will provide ample raw materials for the province's sugar refineries. The sugar output during the 1990-1991 period is expected to reach 600,000 tons, topping the previous peak.

**'Vegetable Basket Project' Proves Successful**

OW0311083490 Beijing XINHUA in English  
0759 GMT 3 Nov 90

[Text] Beijing, November 3 (XINHUA)—Residents of Shanghai no longer have to wake up in the small hours of the morning in order to line up for fresh vegetables, as they can now buy the vegetables they need at any time, the ECONOMIC DAILY reported today.

The newspaper attributed this to the city's "vegetable basket project," which started in August 1988.

A fund of 590 million yuan was set up to ensure stable supplies of nonstaple foodstuffs. In addition, efforts were put into developing freshwater fish farming and 394 pig farms.

The city now produces 540,000 pigs annually and its five poultry farms produce 1.2 million birds a year. Also, some 30 million kg of eggs a year are supplied by the city's 94 chicken farms.

**Hainan Tropical Produce Develops**

HK0511024290 Beijing CHINA DAILY (BUSINESS  
WEEKLY) in English 5 Nov 90 p 2

[Text] Hainan, richly endowed by nature, is becoming a major center for the production of tropical crops.

After several decades of cultivation with advanced techniques, the province now grows tropical crops on 2,320 hectares, making up 70 percent of the country's total.

As a major rubber production base, China's youngest province turns out more than 70 percent of the country's rubber. Output of coconut, areca, cashew nuts and palm oil amount to 90 percent of the country's total.

Hainan also abounds in pepper, vegetable oil, sugar, coffee, cocoa and pineapple.

A batch of new agricultural economic entities have been formed in recent years, and have become the backbone of the development of tropical crops production.

With the adoption of advanced techniques, the processing of tropical crops is from primary stage to mechanization and standardization.

The province now has more than 100 rubber processing factories with daily rubber output up to two tons, and more than 400 coconut processing factories which use foreign techniques and equipment.

Coffee processing, which for a long time relied on manual processing techniques, is now done mechanically and the quality and quantity have vastly improved.

Haikou Coffee Factory has installed a production line imported from Denmark, and turns out 325 tons of instant coffee a year. This is China's first instant coffee processing factory and is expected to save at least \$7 million a year in imports.

### **Xinjiang Sugar Beet Production 'Second Largest'**

OW0711221690 Beijing XINHUA in English  
1631 GMT 7 Nov 90

[Text] Urumqi, Nov 7 (XINHUA)—The sugar beet harvest in northwest China's Xinjiang Uygur Autonomous Region is expected to reach a record 2.04 million tons this year, out of which 220,000 tons of pure sugar will be obtained.

This will make the region China's second-largest beet sugar producer.

Since the State Council designated the region as a sugar beet producing center in 1988, a total of 100 million yuan has been used to improve fields. This year one million mu (about 67,000 ha) has been planted with sugar beet, nearly five times as much as in 1985. The unit area yield has been raised from 1,750 kg per mu to about 2,000 kg per mu with the introduction of new cultivation techniques.

Favorable policies have been offered to peasants engaged in the production of sugar beet as far as loans, taxes, land use, irrigation, and chemical fertilizers, pesticides and other agriculture materials are concerned.

Moreover, the state purchasing price has been raised from 75 yuan (about 15 U.S. dollars) per ton five years ago to the present 160 yuan. All this has heightened the peasants' enthusiasm for growing sugar beet.

The present 11 refineries in the autonomous region have a yearly production capacity of 300,000 tons. A further 80,000 tons of production capacity will be added next year.

### **Shandong Province Reaps Record Grain Harvest**

OW0811043490 Beijing Domestic Service in Mandarin  
2230 GMT 7 Nov 90

[Report by Xu Shangling, from the "News and Press Review" program]

[Text] Even though one favorable report after another of bumper harvests keeps coming out of Shandong Province, it continues to concentrate its efforts on promoting agricultural development. The leadership and the rank

and file throughout the province keep exploring new ways of pushing agricultural production to a new level of development.

Shandong Province reaped a bumper agricultural harvest this year. Its gross grain production reached a record 34.5 billion kg, 2 billion kg more than last year; its gross peanut production reached 40 million dan, 10 million dan more than last year; and its cotton production showed an increase over last year's figures despite serious floods.

The bumper agricultural harvest is mainly a result of agricultural input. Over 1.1 billion yuan worth of investment and 600 million yuan worth of labor were committed to capital construction of irrigation works and water conservation facilities on farms throughout the province last winter and this spring alone. As a result, excavation of nearly 800 million cubic meters of earth and stone was completed, doubling the previous year's amount. Over 530,000 organizations specializing in socialized agricultural services played an active role in offering [words indistinct] services in rural areas throughout the province. Following the establishment of Huantai County as China's first county north of the Chang Jiang designated to produce one ton of grain per unit area per annum, a total of 1.27 million mu of farmland designated for an annual grain output of one ton per unit area were cultivated in Shandong Province this year.

In order to continue consolidating and improving the current good situation in rural areas, recently the Shandong Provincial Party Committee set a clear and definite demand on concentrating efforts on successful capital construction work on farms during this winter and next spring. At present, over 9 million laborers and 34,000 various machines and equipment are engaged in more than 83,000 irrigation works and water conservation facilities throughout the province. Meanwhile, Shandong Province also required all localities to work on improving quality and economic results while steadily making vigorous efforts to promote industrial and sideline production as well as the economic development of village and town enterprises.

### **Animal Husbandry Shows Continued Improvement**

OW0811185790 Beijing XINHUA in English  
1513 GMT 8 Nov 90

[Text] Beijing, November 8 (XINHUA)—China produced 15.19 million tons of meat in the first nine months of this year, according to the State Statistical Bureau.

The latest statistics supplied by the bureau show that China's overall meat production saw a 7.7 percent increase over the same period last year. Increased production, in the first nine months of this year, of pork, up 6.7 percent, beef, up 16.7 percent and mutton, up 8.4 percent over the same period last year, contributed to the higher meat yield.

The bureau says that China was raising 355 million pigs at the end of September, an increase of 2.2 percent over the same period last year.

### Growth of Farm Machine Exports Reported

HK0911031690 Beijing CHINA DAILY in English  
9 Nov 90 p 2

[By staff reporter Wu Yunhue]

[Text] China's farm machines are making inroads on the world market. And the China National Agricultural Machinery Import & Export Corporation expects to earn around \$150 million from exports this year, about \$40 million more than last year.

The corporation, which is the country's largest farm machinery exporter, has seen its exports increasing for more than three years in succession. It had earned more than \$110 million from exporting farm machines by the end of last month, the same as last year's total, said Jiang Chengxun, vice-president of the corporation.

While keeping a big share of the markets of Southeast Asian countries, China's farm machines have also cornered the markets in East Europe and South America, Jiang said.

The South American countries used to be the market for American or Japanese-made farm machines.

With a larger market for his products Jiang is optimistic about next year's fulfillment of the corporation's export target.

He said that this year the corporation has sent some trade missions to the South American and East European countries to introduce China's farm machines and conduct negotiations for exploring the flexible trade forms.

It aims to ensure that its products have a continuous increase on the world market, Jiang said.

The corporation is doing business with East European countries in the form of barter trade and with South American countries in the form of DP (Deferred Payment) or IP (Installment Payment) in consideration of the valuable hard currencies in those countries.

The corporation's major foreign exchange earners are the tractors in 18-, 25- and 50-horse powers, which are suitable for these countries for their reliable quality and competitive prices, Jiang said.

Now, the major unfavourable factor affecting China's farm machines business on the world market is the neglected post-sale service, he said.

In order to strengthen such service, dozens of such service centres have been established by the corporation across the world.

"Two large-sized repairing and parts supplying centres have recently been established in Cuba and Hong Kong," said Jiang.

Meanwhile, the corporation also set up assembly plants in Indonesia and Bangladesh to use the local raw materials and Chinese technology and key parts for farm machinery production.

Initial success showed that the corporation sold more than \$40 million worth of its farm machines in Bangladesh last year.

### Earnings From Walking-Tractor Exports Rise

OW1011133890 Beijing XINHUA in English  
0911 GMT 10 Nov 90

[Text] Beijing, November 10 (XINHUA)—China exported 6,000 walking-tractors in the first half of this year, earning a total of 6.37 million U.S. dollars, an increase of 29 percent over the same period last year.

A spokesman of the China Farm Machinery Import and Export Corporation said today that 13 out of 19 China's key producers of walking-tractors or rototillers have worked to increase export sales.

He said that China's walking tractors are welcomed by developing countries because they are easy to operate and their prices are fair. Last year, China earned a total of 10 million U.S. dollars from rototiller sales.

The spokesman said that the export volume is expected to rise due to the expansion of the traditional export market.

### Vegetable Oil Tariffs Raised

HK1011080090 Beijing CHINA DAILY in English  
10 Nov 90 p 2

[By staff reporter Qu Yingpu]

[Text] China will raise tariffs on seven imported commodities and lower it on one, effective November 20.

The customs tariff commission under the State Council announced in Beijing yesterday that the tariff on soy bean oil would rise from six percent minimum duty to 20 percent and from 11 percent general duty to 30 percent.

The minimum duties are applied to imports from countries which have government trade agreements with China while general duties are applied on imports from other nations.

Under the new stipulation, the minimum and general duties on peanut oil would rise from six and 11 percent to 15 and 20 percent.

Other commodities facing tariff increases include sesame oil, rapeseed oil, palm oil, palm kernel oil and coconut oil.



At the same time, the government decided to lower the tariff on linseed oil. The minimum and general duties will drop from 50 and 70 percent to 20 and 30 percent.

Government officials declined to explain the tariff readjustment or to offer any other comment.

China's imports of vegetable oils mainly come from Southeast Asia, CHINA DAILY learned.

According to Customs statistics, such imports have been increasing steadily during the first three quarters of this year.

During the period, the country imported 716,128 tons of edible vegetable oil, 16.3 percent more than during the same period last year. The imports of other vegetable oil rose 55.5 percent to 714,402 tons.

China's exports of these commodities are much smaller. The Customs figures showed that, although exports of edible vegetable oils between January and September rose by 271.6 percent over that period last year, the amount of such exports totalled only 118,771 tons.

This is the second readjustment on import tariffs since September 1 when China raised tariffs on 10 commodities and lowered it on one.

The 10 commodities include pesticide, bactericide, weed killer, iron, steel and aluminum containers for compressed therapy machines, glutamic acid and the raw material for gourmet powder.

The one commodity on which the import tariff was lowered was quartz glass tubes for optical fibres.

**Amended List for Import Tariffs (%)**

Item	Minimum		General	
	Old	New	Old	New
Soya bean oil	6	20	11	30
Peanut oil	6	15	11	20
Sesame oil	9	15	14	20
Rapeseed oil	9	25	14	35
Linseed oil	50	20	70	30
Palm oil	20	30	30	40
Palm kernel oil	20	30	30	40
Coconut oil	20	30	30	40

Source: The Customs Tariff Commission

**'Strong' Pressure Felt in Literary Rectification**

90CM0417A Hong Kong MING PAO YUE KAN  
[MING PAO MONTHLY] in Chinese No 9, Sep 90  
pp 58-59

[Article by Hsin Chi (2450 1323): "Scenes From the Literary Circles on the Mainland"]

[Text] The often turbulent climatic changes in Communist China's literary circles are well known, so people are not surprised by the rectification campaign that has been going on in the literary circles since the beginning of this year. An article entitled "New Trends in the Rectification Campaign in Literary Circles," released by ZHONGGUO XINWEN SHE from Beijing on 28 May, told the world rather briefly that the first group of articles and incidents that had been subjected to criticism included "Evening Bells" by Wu Ziniu [0702 1311 3662]; "New Tide: A Literary Being That Merits Respect and Study" by Liu Zaifu [0491 0375 1788]; "Half Seawater, Half Flame" by Wang Shuo [3769 2592]; "The Last Aristocrat" by Xie Jin [6200 2516]; "The Incident of the Coating on the Tongue" by Liu Xinwu [0491 1800 2976]; and so forth. WENYI BAO, organ of the Chinese Writers Association, has been carrying one or two criticism articles in each issue without fail. The targets of these articles include works of literature and art, motion pictures, research on the history of Chinese and foreign literature, and other fields of work. Gaining momentum like a surging tide, they repeatedly claim that "the burden is heavy, the road is long, and the struggle will go on and on." Recently, the writer looked over newspaper clippings sent by friends from Mainland China and was filled with sadness. The following are some scenes from mainland literary circles.

**Focus of the Rectification Campaign in the Literary Circles**

There is no need to go into the general background of the "return of the rectification campaign in the literary circles." After the "4 June" incident last year, Li Ruihuan [2621 3843 3883] took overall charge of work in the ideological sphere. The first thing he did was to launch a large-scale "antipornography" campaign. People in the know were quick to point out that the move seemed to be "an attempt to avoid a direct confrontation" and showed that Li was not eager to "clamp down on the literary circles." Of course, after the disturbance, there had to be some kind of major move in the ideological sphere, if only for the sake of appearance. Li Ruihuan chose the "antipornography" campaign, because it could build up a momentum and also avoid a head-on confrontation. The second offensive, following the "antipornography" campaign, was the "movement to learn from Lei Feng," which was even more of a so-called "positive education" and would not offend anyone. Since the beginning of this year, the rectification campaign in the literary circles has been conducted mainly in literary and art papers and periodicals, such as WENYI BAO, ZHONGGUO DIANYING BAO [CHINA FILM NEWS], WENYI LILUN YU PIPING

[THEORY AND CRITICISM OF LITERATURE AND ARTS], ZHONGGUO WENHUA BAO [CHINA CULTURAL NEWS], ZHONGLIU [MIDSTREAM], and so forth. And the criticism of Xie Jin was only published as "letters from readers" in GUANGMING RIBAO. All this shows that Li Ruihuan is conducting a clearly "partial rectification campaign." Let the problems of the literary circles be resolved within the literary circles, and that is very great progress. Looking back to the CPC's nationwide mass criticism and struggle movements of the past such as the struggles against Hu Feng and against the "Three Family Village," we can believe that the times have changed after all. Of course, we are pained by the consequences of the rectification campaign in the literary circles and the suppression of thinking, but we can at least take some comfort in learning that the criticism and rectification have not set off a nationwide political movement.

Next, take a look at the policy for the rectification campaign in the literary circles, and we can also see that the tone is different from all past literary and art struggles. It is said that the top CPC leadership had discussed among themselves the policy of the rectification campaign in the literary circles and finally settled on the tone suggested by Li Ruihuan: "Rectification on the one hand, and prosperity on the other." It is neither too harsh nor too mild and can mean either advance or retreat, and the emphasis can be shifted from one hand to the other whenever necessary. Under the guidance of this policy, two important meetings were held concerning the rectification campaign in the literary circles. The first was a discussion meeting of some responsible persons of literary and art papers and journals in Beijing called by the Literature and Art Bureau of the CPC Central Committee Propaganda Department in early April. The second was a discussion meeting on the ideology of literature and art sponsored jointly by the All-China Federation of Literature and Art Circles and the Chinese Writers Association in mid-April (in Baoding, Hebei). The two meetings summed up the major issues into three questions: The first is to uphold the guiding role of Marxism in literature and art, the second is to keep literature and art tied to the people; and the third is to criticize bourgeois liberalization. Analyses of the headlines of newspaper reports on the two meetings as well as their spiritual substance do not show a strong smell of gunpowder. Besides, Ma Feng [7456 3536], secretary of the party committee of the Chinese Writers Association, pledged in all sincerity and seriousness that the rectification campaign is not designed to punish people. He said that, if these people can change their behavior, they will be valued by the state. It sounded very much like an appeal.

Can we conclude then that the current rectification campaign in the literary circles is just an empty show of strength? The writer does not think so. The less-intimidating and milder tone is only one aspect of the campaign. Another aspect is the strict control over the publication of articles and other works of literature and

art to "ensure their political soundness." It can be seen very clearly in a speech made by Liu Baiyu (0491 4101 5038) to the editorial department of RENMIN WENXUE (PEOPLE'S LITERATURE) when he became its editor in chief. He said, "Since you are editing a publication like RENMIN WENXUE, you must use the Marxist world outlook, political viewpoint, and concept of literature and art to judge and handle problems." He also asked, "Can an editor not be tendentious in reading a manuscript?" This kind of strong ideological pressure was aimed at forcing the editors to abandon their objective and neutral stand or quit the publishing business. Since last year, many publishing houses and publications have been closed down and editors in chief have been replaced. That is the real achievement of the rectification campaign. To bring public opinion under control again, reverse the preachings of the Chinese brand of "Marxism," and ban all other schools of thought—this is the real purpose of the entire movement. We should now understand that the campaign is mild only in appearance and words.

#### The "Zhuzhou Conference" Recalled

WENYI LILUN YU PIPING, in this year's first issue, carried a long article entitled "The Whole Story of the Zhuzhou Conference," which was quickly reprinted by WENYI BAO and other newspapers and periodicals. [Articles on the Zhuzhou Conference were published in JPRS-CAR-90-029, 20 April 1990] Instantly, the "Zhuzhou Conference" became a hot topic again in the rectification of the literary circles. After glancing through dozens of criticism articles published in the past six months or so, the writer also feels that this "whole story" is indeed a heavy bomb and should not be dismissed without comment.

In the name of "restoring historical truth," the article was really "using the past to disparage the present." It maintained that the Zhuzhou Conference, jointly held by HONG QI (RED FLAG), GUANGMING RIBAO, and the Literature and Art Department of WENYI LILUN YU PIPING at the suggestion of the CPC Central Committee Propaganda Department in April 1987, was a complete success; that it was a very timely and important meeting to fight back against bourgeois liberalization; but that, owing to a speech by Zhao Ziyang in May, the movement against liberalization

came to an abrupt end. So the writer of the article arrived at the conclusion that the literary and art circles are seriously affected by bourgeois liberalization. The rectification campaign must be carried out thoroughly and relentlessly.

It should be said that this article is an elaborately cooked-up piece of work. There are several questions which are worth thinking about. The first is that it extols well-known ultraleftists. The central figures at the Zhuzhou Conference mentioned in the article, including He Jingzhi [6320 2417 0037], Xiong Fu [3574 1788], Lin Mohan [2631 7817 3211], Liu Baiyu, Yao Xueyin [1202 7185 0995], Chen Yong [7115 3279], Meng Weizai [1322 0251 0762], and Ma Zhongyang [7456 0112 2254], are also the leading players in today's rectification campaign in the literary and art circles. These people have had a hard time in the past two or three years; how can they not feel proud and elated now? The second is that the article tries to link the ideological trend in literature and art with society and politics, apparently trying to emphasize that the rectification campaign in the literary and art circles today has a bearing on the very survival of the CPC. The third is that, in criticizing Zhao Ziyang, it expresses the worry that some behind-the-scene political figures might still interfere with the rectification campaign. What the writer of the article wanted to say, but did not feel free to do so, is this: The last time Zhao Ziyang interfered. This time let's hope that no one will burst forth and cause the rectification campaign to stop halfway. From the above-mentioned points, it is not difficult for us to see why they were so eager to bring up the "Zhuzhou Conference" again.

One of the CPC's habitual tactics in waging a struggle in literature and art is to use past events to suppress enemies of today. Thus, it seems as if the "Zhuzhou Conference," which opened three years ago, is still in session. The "Zhuzhou Conference" ended on 12 April, but it was not reported until 21 April, when news about the meeting was made public by GUANGMING RIBAO. We cannot help wondering if there are inside stories about the current "recall" that we do not yet know.

No matter what kind of meeting, if it is aimed at suppression of thinking, it does not deserve to be praised.



**PLA Political Department Recruits Flight Cadets**

OW0111237 Beijing XINHUA Domestic Service  
in Chinese 0949 GMT 31 Oct 90

[By reporter Xu Jingyue (1776 0079 6460) and correspondent Li Yuliang (2621 3768 5328)]

[Text] Beijing, 31 Oct (XINHUA)—The enrollment of military flight cadets for 1991 has begun.

According to a department concerned of the PLA General Political Department, recruitment for military flight cadets had been formally included in the national enrollment of students for ordinary institutes of higher learning. Flight cadets recruited in the future will not be ordinary candidates, but rather flight officers with special status and roles. Recruitment for flight cadets had always been the responsibility of military service departments at all levels. In the future, recruitment for flight cadets for all arms of the armed forces will be handled by the Cadre Department of the PLA General Political Department. Those eligible for enrollment for the 1991 school year are this year's ordinary high school graduates, between the ages of 16 and 19, who take part in the national examination for admission to ordinary institutes of higher learning. Those intending to enroll must uphold the four cardinal principles, must be loyal to the socialist motherland, must dedicate themselves to a flying career, must be physically strong, and must be physically and mentally fit for flying.

It was learned that more flight cadets will be enrolled in 1991 than in the last few years. Beginning in October, the navy and the air force have begun work on enrollment and deciding enrollees on a preliminary basis. Enrollees, after passing physical examinations, psychological tests, and a political examination, will take part in the 1991 national examination for admission to ordinary institutes of higher learning. Those who pass the examination will be selected in advance by naval and air force flight schools. The State Education Commission, the Public Security Ministry, and the PLA General Political Department expressed the hope that responsible departments at all levels and schools concerned would employ various means to conduct in-depth education in patriotism and national defense, would mobilize various sectors of the society and parents of students to support enrollment work, and would encourage students who are morally, intellectually, and physically sound to enroll in flight schools.

**Defense Border Road Construction in Inner Mongolia**

SK2010035490 Hohhot NEIMENGGU RIBAO  
in Chinese 5 Sep 90 p 4

[Article carried in "Work Study" column by Zheng Changzhun, director of the Inner Mongolia Autonomous Regional Communications Department: "An Effective Organization To Ensure Unimpeded Traffic on Border

Defense Roads—On Army-Civilian Joint Effort To Build Mechanized Border Defense Road Maintenance Teams"]

[Text] Located in the northern frontier of the motherland, our region has 17,213 kilometers of border defense roads. The geographical and geological conditions for the long border roads, nearly 20,000 kilometers in length, are complicated, and the climate is bad. In the past, not one of these roads was in good shape and traffic was impeded on rainy and snowy days. This not only created great difficulties for the material supplies, patrol duty, and telecommunication of border defense units, but seriously affected the economic development and improvement of the people's living standards in the border areas. How should we strengthen the construction, maintenance, and management of border defense roads in line with the specific conditions of border areas to ensure unimpeded traffic? Our experiences were as follows:

**1. Establish Mechanized Border Defense Road Maintenance Teams**

Since the founding of the country, we have built more than 1,100 kilometers of roads in border areas. However, most of them have been damaged because of a lack of management and maintenance by specialized personnel. Backward transportation and difficulty in traveling by car were problems unsolved for a long period of time.

Beginning in 1975, we and the military district spent more than three years organizing and sending many specialized personnel to border areas on many occasions to conduct investigations and studies on the maintenance and management of border defense roads and exploring new methods for their construction and maintenance. Thanks to the attention and support of leading persons at higher levels, in 1978, after study, we and the Logistics Department of the Inner Mongolia Military District decided to establish three pilot mechanized border defense road maintenance teams in Xilin Hot, Ulan Hua, and Hailiutu. Such organizations created notable results and attracted the attention of army units and local governments. After these three pilot teams, another seven mechanized maintenance teams were established. At present, these 10 teams have 688 staff members and workers and 371 transportation and maintenance machines totaling 22,314 horsepower. By and large, they have become compact and nimble specialized teams engaged mainly in mechanized operations and capable of both construction and maintenance.

Among the border defense roads in our region, 44, totaling 4,435 kilometers in length, have been listed as roads needing maintenance: 2,258 kilometers of grade-four roads, 879 kilometers of fixed roads in grasslands, and 1,298 kilometers of natural roads. A total of 2,513 kilometers of the roads have poor pavement and there are 98 bridges on the road, totaling 1,921 meters.

In past years, 109 million yuan was invested in building 2,764 kilometers of border defense roads. They stretch to

45 border defense companies (sentry posts) and 38 border areas previously inaccessible to cars, making 80 percent of the border defense companies accessible to cars. In this way, the difficulty to get to border areas by cars has been alleviated.

## **2. Conscientiously Strengthen the Construction and Management of Border Defense Roads**

Construction of border defense roads serves both national defense and economic construction and, in border defense road construction, the development trend is to combine the efforts of both the Army and civilians and to give attention to both military and strategic purposes. Therefore, a good job in the planning, construction, and management of the roads in border areas has very important significance in consolidating national defense, safeguarding the border areas, and developing the economy of the border pastoral areas. Over the past decade and more, our Army and local authorities have done the following work for construction of border defense roads.

A. Based on the state's general principle for the development and construction of border areas and the principle of combining peacetime needs with wartime preparedness, we formulated the Fifth [Five-Year Plan] to the Eighth Five-Year Plan for border defense road construction and put them into practice. When formulating the plans, we adhered to the principle of making the construction conducive to both national defense construction and economic construction, and made specific divisions of the border defense roads of the entire region. This has laid a solid foundation for future national defense construction and economic development in border areas.

B. To effectively make plans and policies in a unified manner for border defense roads, we established specialized management organizations, enforced a three-level management system, and adopted the principle of combining unified management with separate management at different levels, with the former as the major form. In this way, we enabled the planning, prospecting, design, construction, maintenance, and management of border defense roads to proceed along standardized procedures.

C. In the course of practice, we gradually improved the principle of "combining peacetime needs with wartime preparedness, joint use by the Army and civilians, working out comprehensive plans, exercising scientific management, fixing the lines, traveling from place to place to carry out maintenance, renovating key sections to link the whole line, and making improvement section by section to make the whole line in good shape" for border defense road construction, maintenance, and management. In this way, we have made border defense road construction scientific and compatible with specific local conditions.

D. We adopted the measure of raising funds for the construction and maintenance of border defense roads

through various channels by the Army and local authorities and initially ensured the sources of funds for normal maintenance.

## **3. Strive To Strengthen the Building of Border Defense Road Maintenance Teams**

Border defense road maintenance teams are specialized teams to directly serve border defense units and ensure unimpeded traffic on border defense roads. In the building of the teams, we paid attention to the following issues.

A. When organizing the teams, we adhered to the principle of selecting competent and flexible personnel, installing complete sets of equipment that could be used flexibly, and adopting multipurpose and properly disposed technology.

To meet the semimilitarized standard, every maintenance team generally consisted of 50 to 80 persons, with managerial and service personnel accounting for 18 percent. In line with the tasks of the teams, machines were adopted that were mutually supportive and suited both the geological and geographical environments, giving consideration to the flexibility of the machines and the ease with which they could be maintained and operated. In line with the characteristics of border areas, the maintenance teams are responsible for traveling from place to place to carry out normal maintenance work, emergency repair work in the remote sections, and construction tasks. They should be capable of construction, survey, maintenance, and management.

B. We always set our sights on the comprehensive improvement of the border defense road maintenance teams.

We strengthened ideological education to enable members of the teams to firmly embrace the idea of taking root in the border areas and regarding teams as their homes. To enable production personnel to skillfully operate one or several kinds of machines, we organized group training in winter slack season, sent personnel to other localities for advanced study, held on-the-job training, and assigned new hands to learn from old hands and to improve their skills through actual operation of machines. Through such measures, we trained 350 engineering and machinery personnel and road technicians, accounting for 63 percent of the total number of staff members and workers. At present, more than 90 percent of the personnel on the forefront of production specialize in one skill, but are capable of doing several kinds of work. We actively improved the conditions for the material and cultural life of the personnel to enable them to set their minds to the work. Despite the strained supply, we managed to allocate some funds to build offices, dining rooms, guesthouses, dormitories, bathhouses, boiler rooms, nurseries, worker recreational centers, libraries, and basketball and volleyball courts, and to purchase television sets and books, thus making living facilities basically complete. Some maintenance teams relied on their own efforts and made the best use of local

natural conditions to develop sideline production. They built vegetable production bases and small livestock farms. Most of the teams have achieved self-sufficiency in meat supply and partial self-sufficiency in vegetable supply.

### **Second Artillery Works To Eliminate Hardships**

91CM0026A Beijing JIEFANGJUN BAO in Chinese  
10 Sep 90 p 1

[Article by Zhu Jianmin (2612 1017 3046) and Zhang Jiajun (1728 1367 6511): "Second Artillery Corps Works To Eliminate the 'Five Hardships' at the Grassroots Level"]

[Text] How do we resolve the "five hardships" faced by grassroots officers and men in the Second Artillery Corps? The "Five-Year Summary of Grassroots Logistical Construction" recently issued by the Second Artillery Logistics Department indicates that, after five years of strenuous effort, 1,500 logistical construction projects have been completed. Several hundred grassroots units whose men used to live in low, damp, cold huts made of straw have moved into new housing. More than half of all grassroots units have bid farewell to "the five hardships"—housing, food and water, bathing, medical care, and entertainment.

In 1985, the Central Military Commission decided to make a special appropriation to resolve "the five hardships" faced by grassroots officers and men in the Second Artillery. The Second Artillery leadership formulated the "Decision Regarding Strengthening Grassroots Logistical Construction and Management," and they have made several on-site visits at the grassroots level to resolve problems. The various forces have sent teams on inspection trips throughout the Army to units that have been named as advanced grassroots logistical construction units. These teams have repeatedly studied the feasibility of various construction programs. They have also taken scientific and technological progress as their guidepost in mobilizing scientific and technological personnel both within and outside the military to work on problems connected with nutrition, sanitation, and environmental improvement in battlefields and trenches. Scientific and technological breakthroughs were made in 380 projects, and they are being used in the modernization and construction of grassroots logistics.

In the past five years, the various units in the Second Artillery have taken advantage of their strong base in science and technology as well as the rich resources available in the mountains to launch multiple operations, thereby raising nearly 20 million yuan by their own efforts to be used for grassroots logistical construction. In addition, they have devoted over 40,000 military labor days to build up military industry, thereby saving more than two million yuan.

More than 70 percent of the grassroots units in the Second Artillery now use well water and indoor plumbing, thereby putting an end to the days of "water

from melted ice in the winter, water from collected rain in the summer." No longer do they depend on donkey carts or fire trucks to deliver their water. More than 100 units which move around frequently have acquired water purifiers to make their drinking water healthier and cleaner. This measure has ensured the health of the officers and men. Troops stationed in the south have begun to use solar power. Those stationed in the north have built standardized shower buildings, putting an end to the former situation in which one depended for a bath on "a bucket in the summer, and a steaming pot in the winter." More than half of all troops now take hot showers year round. The great majority of all grassroots units have built culture and entertainment centers. Units stationed in remote mountains have installed satellite reception disks for television, changing the former boring lifestyle in which "soldiers watched soldiers by day and the stars by night." Various mess halls have been remodeled. Most of them are now more spacious and brighter. These units are now capable of performing every step of food processing, all the way from the raw grain, and so forth, to the finished product. They have also acquired refrigerators, freezers, and cooking implements. Troops stationed in the north plant squash, eggplant, and tomatoes in big plastic greenhouses, thereby shortening the period in which vegetables are in short supply. More than 60 percent of all grassroots units have moved into new housing, and their camps now have "flowers in the spring, shade in the summer, fruit in the fall, and greenery in the winter." The successes that have been achieved in grassroots logistical construction have played an important role in stabilizing the troops and promoting the modernization and construction of the Strategic Rocket Force.

### **Shock-Wave Simulator Aids Medical Research**

91CM0026B Beijing JIEFANGJUN BAO in Chinese  
11 Sep 90 p 3

[Article by Cheng Ping (4453 1627): "A 'Nuclear Blast' Takes Place Indoors—A Brief Introduction to the Biological Shock-Wave Simulator of Military Medical College No 3"]

[Text] In the main building of the Field Surgery Institute, Military Medical College No. 3, is a huge object measuring 39 meters in length and one meter in diameter. It is China's largest biological shock-wave tube for simulating nuclear blasts.

Here you will not see any mushroom clouds nor hear the tremendous thunder of a nuclear blast. On the contrary, scientific and technological personnel have been carrying out studies of shock injuries caused by one nuclear blast after another at various magnitudes.

Shock injuries are commonly encountered in wars involving both nuclear and conventional weapons, and they are an important research topic in military medicine. The Chinese Army established a shock-injury experiment and research team in 1970. Since there was no laboratory capable of simulating nuclear blasts, at



that time scientific researchers had to travel great distances to nuclear test sites to collect various data on the forces causing injuries. Carrying out experiments and research expended great amounts of labor and materials, and the research could be carried out only sporadically. In order to study shock injuries in a more incisive and systematic manner, Professor Wang Zhengguo [3769 2973 0948], the famous injuries specialist, and others cooperated closely with the Mechanics Institute of the Chinese Academy of Sciences and, after several years of strenuous effort, fully developed China's largest biological shock-wave tube. This type of shock-wave tube can simulate atomic bomb blasts of different magnitudes as well as the injuring capability of shock waves caused by explosions, guns, and cannon. Furthermore, the injuries are uniform, the experiments can be easily repeated, accuracy is high, and scientists can check the subject immediately after an injury has been sustained.

In recent years, Professor Wang Zhengguo has led all the personnel in the laboratory in using the shock-wave tube. They have carried out incisive and systematic research on the relationship between injuries and such variables as mass and force; the pathological and biological changes caused by shock injuries; and the diagnosis, treatment, and prevention of shock injuries. The depth and breadth of their research are unsurpassed anywhere in the world.

#### **Chengdu MR Improves Campaign Training**

91CM0026C Beijing JIEFANGJUN BAO in Chinese  
12 Sep 90 p 1

[Article by Gu Bohang (7357 0130 5328) and Wang Hongshan (3769 3163 1472): "Chengdu Military Region Campaign Maneuvers Improve"]

[Text] In early September, the top-level leadership organs of the Chengdu Military Region [MR] carried out a campaign maneuver. When Political Commissar Zhang Taiheng [1728 1132 1854] and Political Commissar Gu Shanqing [6253 0810 1987] entered the "Red Army" command room and, in their status as the objects of the training session, began to carry out their duties, every department in the Military Region's organs and main leaders at every level in the forces participating in the maneuver went into action. This campaign maneuver signified that campaign training in the Chengdu Military Region has risen to a new level.

Campaign training in the Chengdu Military Region has risen to new levels three times in four years. After China's military reorganization, they began to pay close attention to achieving a good foundation in campaign training. They organized the group armies under their command and carried out campaign maneuvers intended to serve as exhibitions and tests. One at a time, they saw to it that each group army commander was familiar with campaign command procedures. They

achieved a preliminary mastery of the ordinary leadership principles for limited warfare. They fundamentally transformed themselves from tactical commanders into campaign commanders.

In order to raise the campaign awareness of leaders at this level, and to improve their ability to plan for and set policy regarding the organization and command of a campaign, the Chengdu Military Region has built on the foundation laid during the past few years by carrying out campaign maneuvers within high-level leadership organs for the purpose of study. Thus, campaign training has gradually and methodically worked its way up through the ranks.

Before, it was a matter of "the top directing and the underlings carrying out maneuvers" and "the leader directing while the assistants carry out maneuvers." Now it has become a matter of the same persons directing and performing in maneuvers, and the main officer being the primary performer in the maneuver. Summing up experience from this high-level leadership organ campaign maneuver, they did away with the enormous "directing departments" and only set up a "team to guide the course of events." The commander and the political commissar both remained at their post as they the political commissar both remained at their post as they dealt with events, thus becoming the direct objects of the training session. During the maneuver the main leading cadres in the military region all manned their posts. Each expressed an opinion, and the wisdom of many was pooled together. The main officers were the major participants in the maneuver, and the maneuver itself was the most important thing. This made the main officers in the high-level leadership organ of the military region personally take charge of the maneuver, thereby increasing the range of personnel who received training in this campaign maneuver, and it ensured the quality of the campaign training.

From training in procedures, the military region has graduated to training in strategy and planning. They have adopted a method they call "getting physically involved by carrying out maneuvers and training, and removing oneself from the action in order to study." They do not worry about the entire process, but focus on the key elements and problems in leading campaigns. They concentrate primarily on studying, and they are working hard to raise the strategic consciousness of high-level leadership organs, as well as their ability to formulate plans. In this manner, the headquarters will remain aware of the main current of international affairs as well as various regional undercurrents which raise the possibility of rapidly developing incidents, and the headquarters will thus be able to interpret events more accurately and formulate more appropriate plans. When the political department hands down instructions, it takes into account the need to bolster morale as well as the need to maintain a firm grasp of policy as it formulates plans, and it fully brings the power of political work

into play. The logistics department dares to reveal various difficulties in campaign support which occur under special conditions, and it explores measures to overcome these difficulties.

From gaining a mastery of ordinary theoretical principles of campaigns, the Military Region moves up to exploring the principles of campaign leadership under extraordinary conditions. They have adopted a method of "learning—performing maneuvers—studying—summing up." Before carrying out maneuvers, they make an intensive study of the theoretical principles of ordinary campaigns. After the maneuvers, they take up special campaign topics and carry out academic research. More than 30 academic papers have been produced in which relatively systematic theoretical discussions of how to organize campaigns under extraordinary circumstances have been carried out. These papers have also proposed principles by which to guide future construction of forces and border defenses. This has enabled the results of theoretical research to have a direct impact on actual work.

### Second Artillery Spurs Technical Knowledge

91CM0026D Beijing JIEFANGJUN BAO in Chinese  
13 Sep 90 p 2

[Article by Jing Hao (2529 3185) and Mo Niu (7817 3662): "A Certain Unit in Second Artillery Creates Study Opportunities, Pushes Renewal of the Knowledge of Technical Cadres"]

[Text] The Second Artillery Corps, where technical cadres account for 67.5 percent of all cadres, is very concerned about keeping the knowledge of its technical cadres from falling out of date. The Second Artillery has actively created learning opportunities for them and has achieved excellent results.

The Second Artillery has begun by working to assimilate the knowledge of cadres who have graduated from institutions of higher education, thereby helping technical cadres to couple this knowledge with practical experience in installation and operation of various equipment to consolidate their knowledge of theory. They have assigned increased responsibilities and duties to key technical cadres and have given them opportunities to raise their level of expertise. They have also launched academic contests, technical skill contests, academic conferences among scientific and technological personnel, and tests of their skill in operating equipment. Everyone has thus been able to help each other, learn from each other, and spur each other to greater achievement. A work team for science and technology reform has been set up among scientific and technological cadres, and tens of thousands of yuan are appropriated every year to upgrade technology. Captain Wang Zhicai [3769 1807 2088] successfully improved a timing device for the automatic target locator, thereby increasing the accuracy of the automatic timer several 10-fold and saving the state over 10,000 yuan. He was awarded a second-class merit prize. In the last three years, the

Second Artillery has written 58 papers on science and technology, and 28 people have been named technical experts.

### Difficult Working Conditions in Spratleys

91CM0026E Beijing JIEFANGJUN BAO in Chinese  
14 Sep 90 p 2

[Article by Xie Jianhong (6200 1017 3163) and Ge Lijuan (2047 7787 1227): "The Skinniest Man in the Nansha Qundao"]

[Text] AD 1989, 21 March, 1300 hours.

Rescue Ship 504, much smaller than a navigation craft, has finally arrived at Dongmen Jiao after a voyage of three days and nights across the South China Sea. After setting anchor, the construction corps commander, Mei Tongchu [2734 0681 0443], forgets the seasickness and exhaustion of the voyage and leads his officers as they quickly lower a dinghy, clamber onto the reef, and establish a survey point.

Establishing a survey point is very important for the Nansha Qundao [Spratley Islands] construction project entrusted to this unit. Commander Mei uses the knowledge he acquired at the Nanjing Engineering and Military Academy, as well as 11 years of actual working experience, as he proceeds with another commander on the reef to carry out a survey. They quickly choose a foundation that meets their requirements.

In order to unload the construction equipment and materials from the ship, the men have to walk across a one-meter-wide plank suspended five meters above the crashing waves. The plank heaves and tosses, and is a terror to negotiate. He, as the leader of the corps, is the first to set to the task, carrying 100-kilogram bags of sand and 50-kilogram bags of cement from the ship to the reef.

The sun in the Nansha is like an oven strapped to your back. When Mei Tongchu looks at his thermometer and finds that the red line has reached 56 degrees Celsius, he wonders whether it is working properly. The work, however, cannot wait. Every trip, he crouches, springs back up, and another bag of sand is sitting on his shoulder. They level out the foundation and put up a tarp over their work site. He works alongside the soldiers 12 hours a day. After the soldiers have knocked off to rest, he still has to inspect the day's work and plan the next day's task. He gets only three or fours of sleep per day.

It is a strenuous battle to fill the caisson with coral stone and pour in the steel-reinforced concrete. The raw materials are placed along the edges of the reef, and when the tide rises it covers the materials up to waist depth, and the men have to slog through the water to retrieve anything. The worst part is the burlap bags in which the rocks and sand are contained—they give off a powerful stench after soaking in the seawater, and they have to be fished out of the water one by one and carried to the

work site. One time he was a bit careless and stepped into a crack in the coral reef. The soldiers help him to get his foot out, and blood was streaming from seven deep gashes.

In the Nansha, fresh water is as precious as petroleum. After long exposure to the wind, sun, and water, and because there is no fresh water in which to bathe, his skin has broken out in blisters, pus flows, and raw flesh is exposed. Whenever he sweats or comes in contact with seawater, he experiences a sort of pain that no ordinary man could imagine, but in order to bolster his troops' morale he has turned his pain into a source of amusement, shouting out "I've been marinated in seawater and baked in the sun! Come and get your juicy turkey!" His wincecrack makes everyone laugh. By working hard, the men have been able to go fast. It has taken the corps only 30 days (17 days ahead of schedule) to use more than 3,300 tons of materials in sinking a foundation more than 4.5 meters deep. However, Commander Mei is so skinny he has nothing left but a couple of eyes. People call him "the skinniest man in the Nansha Qundao."

Apart from the generally tough conditions that accompany construction work in the Nansha, the men also face attacks from sea snakes and sharks, and threats from enemies. All of Dongmen Jiao lies within the effective range of Vietnamese guns. One time a Vietnamese armed fishing ship passed by just 25 meters from the reef. The officers and men on the reef had to remain constantly ready to deal with enemy harassment even as they continued with their work.

After 110 days and nights, a finely constructed building has finally risen majestically, on Dongmen Jiao in the South China Sea, and the Navy has commended it as a superior piece of architecture in every way. The second-class medal for military merit pinned on Mei Tongchu's chest is the crystallization of his contribution to the people, but he has lost a whole 10 kilograms!

#### **Paratroopers Improve Combat Capability**

91CM00274 Beijing JIEFANGJUN BAO in Chinese  
20 Sep 90 p 1

[Article by Zhang Tan (1728 6223): "Paratroops Operational Capability Improves Noticeably"]

[Text] During the paratroop skills exhibition that came to a close on 15 September, the men achieved superior scores in over 85 percent of the 242 events. This showed that the combat capability of the paratroopers has reached a new level.

On 17 September 1980, Chairman Mao and the Central Military Commission gave their approval to transfer from throughout the Army more than 3,000 combat heroes and others who had rendered meritorious service in order to form the first Chinese Army's first paratroop unit somewhere in the North China Plain.

After 40 years, the paratroop forces today have developed into a modern force composed of many different arms, including guidance, reconnaissance, infantry, artillery, communications, engineering, chemical defense, and automobile units. It has several dozen closely coordinated specialized units, and the operational capabilities of the paratroop forces have been noticeably improved.

This reporter observed an exhibition performed by a special paratroop fendui on 12 September in which troops performed a highly skilled square-chute infiltration operation. When the aircraft was still no more than a tiny black dot, two different special fendui jumped out of the aircraft. They used the gliding capabilities of their square chutes to infiltrate silently into the target area from a distance of 10 kilometers. Before the "enemy" had discovered their presence, these "mystery troops" had already taken everyone by surprise and successfully accomplished their attack mission.

Previously, this reporter had observed a paratroop unit in 1987 jump into the Shiwan Dashan Mountains of Guangxi to carry out training in field combat and survival in mountains and forests during very hot weather. In 1988, this reporter also saw them jump into the Kunlun Mountains, where they carried out comprehensive maneuvers and training in the thin air at 4,600 meters above sea level. They attained an understanding of the basic principles of paratrooping, field combat, and survival in the high plains, and set a new precedent in the worldwide history of paratroop operations. Many newspapers and magazines termed this event "an impressive display of deterrent force." It is reported that since 1980 the paratroop forces have completed field combat and survival training under diverse geographical and weather conditions in the high plains, prairies, deserts, mountains, forests, and irrigated rice paddies. It is said that the Chinese paratroop forces have achieved unique operational capabilities, and that they are ready to fly at any time, jump anywhere, and fight anywhere. It is said that their ability to carry out an armed jump at any time of the day or night into any terrain, as well as their field combat and survival skills, can be compared with those of paratroop forces from the world's developed countries.

The individual fighting skills of the paratroopers are amazing. In late 1989, the relevant department tested more than 100 fendui in 72 skill categories, and they achieved scores of excellent or better in 78 percent of the categories. People praised them, saying that "in a war every paratrooper can fight off ten enemies."

The paratroop forces have also compiled a brilliant safety record in training. They have not had a fatal parachuting accident in four years. For five years in a row, the accident rate of the paratroop forces has been under 0.1 per 10,000, which is far lower than that of paratroop forces in the United States and other developed countries.



**Men of Second Artillery Struggle in Remote Areas**

91CM0027B Beijing JIEFANGJUN BAO in Chinese  
22 Sep 90 p 1

[Article by Guo Qingsheng (6753 1987 3932): "Officers and Men of the Second Artillery Struggle Arduously and Give Their All"]

[Text] "The remote areas are my home. I smilingly send off the leaping, flying dragons. To suffer hardship is an honor; my goal is to defend my country." The Second Artillery commanders stationed in remote mountains, high plains, and deserts are struggling tenaciously, without fear of hardship, to carry out their duties. They are continually pushing construction of the Strategic Rocket Force on to new levels. A success rate of 100 percent has been achieved for launches of real missiles in the last three years. 100 percent of all national defense construction projects have been evaluated as up to standard, 96 percent of all battlefield equipment has been in working order, and 65.5 percent of all grassroots companies have met the standards set forth in the "Outline of Military Grassroots Construction."

Most units of the Second Artillery are stationed in remote areas. In order to strengthen among the great masses of commanders and men a sense of mission—a mission to struggle arduously and to do everything possible for the Chinese people—party organs at every level are tirelessly educating the great masses of officers and men to "love the Second Artillery, love the front, and love their work." From the "old missile men," who have been through many a season of wind and rain, to the enthusiastic young missile soldiers, everyone has been resolutely standing guard over the remote mountains and high plains, some for the last several years, some for more than 10 years, and some for several decades. Fearless of hardship and willing to sacrifice the interests of themselves and their families, each man unwaveringly struggles on at his post, performing many glorious feats that inspire praise and tears. Yao Youyu [1202 2589 0151], a cadre in a certain unit who has been honored by the Second Artillery as a "model company commander," has kept watch over six different mountain ravines, managed 16 different tunnel defense works, and led his men in achieving nine different technology upgrades since he joined the Army in 1976. He has basically achieved automated management of tunnel defense works. In the 10-plus years that he has been in the military, five of his family members have passed away, yet he has never faltered in his determination to build up the front; on the contrary, he has applied himself to his work with single-minded tenacity. The company under his command has been named by the Second Artillery as a model grassroots military construction unit, and it has been honored with the first-class award for meritorious collective service.

Among the Second Artillery cadres are a large number who are intellectuals from technical colleges and universities. They have willingly left behind the gay city life to

work in a grueling environment. Today, the achievements of the older generation of intellectuals are everywhere to be seen and a new generation of university graduates is following in their path, ready to write a new page in history. Li Mingyu [2621 2494 3768], the chief engineer in a certain unit's repair and assembly plant, gave up his superior standard of living in Beijing and came willingly to work in the Second Artillery. He has now been struggling away at a military camp near the border for 20 years. He has led all the technical personnel in his plant in turning the plant from a shoddy little workshop into a specialized factory capable of repairing missiles, weaponry, and equipment. He personally has made 18 scientific and technological breakthroughs, of which five were honored with awards for breakthroughs in military science and technology. He has been named many times as a superior Communist Party member, and he has been named by the Second Artillery as an "advanced worker in science and technology."

One of the most notable characteristics of the Second Artillery is the leading cadres who have gone in front of everyone to carve out a foothold in remote mountains and to devote themselves to national defense. At present, more than 30 percent of all members of leadership groups at the level of group army have worked 15 to 20 years in the mountains and gullies. The commander of a certain brigade, Liu Jichen [0491 7139 3819], came to the 3000-meter-high desert after entering the military in 1968, and now it has been more than 20 years. He even brought his wife (a university graduate) and only son away from the superior living conditions in a city to live with him in the high plains. He has led his men many times in successfully completing such tasks as testing out equipment on the front and launching real missiles, and he victoriously completed a task connected with the troop parade and review on the 35th anniversary of the founding of the republic, receiving a commendation from the leaders of the Second Artillery.

**Armed Police Political Construction Strengthened**

91CM0027C Beijing JIEFANGJUN BAO in Chinese  
22 Sep 90 p 3

[Article by Pan Shiming (3382 0099 2494): "Armed Police Pool Forces To Implement the 'Notes'"]

[Text] Party committees at every level in the Armed Police are carrying out the "Notes" of the All-Army Political Work Meeting. They are vigorously strengthening political construction, and a very welcome situation has arisen in which everyone cares about and attaches great importance to political work. The principled nature, combative nature, and efficacy of political work has been noticeably strengthened.

Party committees in the Armed Police have given top priority to studying and implementing the meeting's "Notes." Special study and preparations were made during the enlarged party committee meetings that were called early this year regarding the implementation of the "Notes" throughout the entire force, and they produced

a "Decision on Strengthening Political Construction and Ensuring That the Armed Police Will Always Be Politically Qualified" and the "Decision on Launching Activities To Promote Thorough Study of Lei Feng." The Political Department of the Armed Police Headquarters has earnestly studied and formulated concrete measures for implementing the "Notes." Organs in the Armed Police Headquarters and party cells at every level under their jurisdiction are spending most of their energy on a thorough study of this "scripture." The various central forces have reordered work schedules to allow for study and implementation of the "Notes."

One of the most important parts of the effort by the Armed Police to implement the "Notes" is to highlight the political norms that must be achieved in the construction of leadership groups at every level. The members of "the highest group"—the party committee of the Armed Police Headquarters—have set an example for the entire force. They have acted in accordance with the demands made by the Central Military Commission to "study, unite, observe the law, and do practical work" by deciding to strengthen construction of the party committee itself. They gave top priority to the norms of political construction, and the various forces under their jurisdiction have sought to accomplish nuts-and-bolts tasks. They have used the basic spirit and principles of the "Notes" and have dared to take a hard look at the weak links in political construction in their units. They have dared to reveal conflicts, and they have targeted areas where breakthroughs can be achieved, solving problems one by one and achieving significant success. The Beijing General Force spent five months rectifying

the units under its jurisdiction one at a time in accordance with the "eight-character" requirements. Everyone has become deeply aware that one cannot do a good job of political construction without paying attention to leadership groups, that one cannot do a good job with leadership groups unless one pays attention to implementation of "the eight characters," and one cannot do a good job of implementing "the eight characters" unless one studies and rectifies.

The education campaign aimed at strengthening socialist beliefs is an important link in the effort of the Armed Police to strengthen political construction. Last May, the Guangdong General Force's Detachment No. 2 specially called an on-the-spot socialist beliefs education session. Various forces have launched education activities in a very creative manner. The Hunan General Force has acted upon the "Notes" by organically combining the implementation of the "Notes" with resolute adherence to the content of socialist beliefs education, and very good results have been achieved. The Zhejiang General Force, because its area of jurisdiction is close to the coast, has implemented a vigorous education campaign to combat infiltration and decadence. It has had its officers and men earnestly study Marxism-Leninism and Mao Zedong Thought, thereby solidifying their foundation in theory. The officers and men have adhered to the four cardinal principles, thereby solidifying their political foundation. The General Force has also launched a broad campaign to study Lei Feng, thereby solidifying the ideological and moral foundation of its personnel. Solidifying these three foundations is like building three defense perimeters, and the capacity of the political immune systems of the officers and men has been greatly strengthened.

**CENTRAL-SOUTH REGION****Guangdong Deals Firmly With '3 Disorders' Cases**

HK0511141990 Guangzhou Guangdong Provincial  
Service in Mandarin 1000 GMT 2 Nov 90

[Text] On 30 October, the Guangdong Provincial CPC Committee and people's government issued a circular on implementing the decision of the CPC Central Committee and State Council on firmly putting an end to the three disorders of collecting fees arbitrarily, imposing fines indiscriminately, and levying apportionments in an unjustified way. In light of the practical conditions in our province, the circular puts forth the following opinions on implementing the decision:

1. We must conscientiously study the decision to further understand the necessity and urgency of putting an end to the three disorders. All localities and departments must unify their ideological understanding on the basis of the decision of the central authorities. In particular, party and government leaders at all levels must adopt an overall, mass, and legal viewpoint, and enhance their consciousness of putting an end to the three disorders. They must regard this as an important item in the drive to carry out economic improvement and rectification, and link it to the work of strengthening the building of an honest and clean government administration, correcting unhealthy trends in trades and services, and eradicating corruption. The work must be included in their main

agenda of work. They must resolve to fulfill the various tasks mentioned in the decision.

2. We must fully measure ourselves by the requirements of the decision and profoundly carry out the work of straightening out the three disorders. In accordance with the requirements of the decision, various localities and departments must examine their own work related to the efforts to put an end to the three disorders one by one. Whenever there is a problem, they must seriously deal with it.

3. Various relevant rules and regulations must be formulated and perfected, and measures aimed at consolidation and rectification must be adopted. On the basis of all-round consolidation and rectification, various localities and departments must work out their management rules and regulations, and conscientiously adopt various measures for consolidation and rectification in accordance with the requirements of the decision.

4. We must truly strengthen our leadership over the work of putting an end to the three disorders. Putting an end to the three disorders is very strenuous work. We must carry out the work well, and never do it superficially. Party and government leaders at all levels must attach great importance to the work, strengthen their leadership over it, constantly carry out inspection, and prevent and overcome apathy to truly do the work well.

In accordance with the instructions of the central authorities, the work of putting an end to the three disorders must be basically completed in about one year. In light of our province's practical conditions, the work must be completed in the whole province by the end of March next year.



### **Soldiers To Inform Against 'Lawless Elements'**

90CM04194 Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 180, 28 Aug 90 pp 12-13

[Article by Lin Nien-chieh (2651 1819 2638): "Beware! Taiwan Independence Advocates Are Right Next To You!—The Central Military Commission Publishes Procedures for Confidential Informing"]

[Text] In the eyes of the military, all news reporters, the underworld, advocates of violence, spies, and those for independence are "lawless elements"; any military member who informs on them will be rewarded.

Although the Executive Yuan has abolished measures for encouraging the exposure of spies, it does not mean that the atmosphere of "secrecy and security against espionage" has dissipated; it is merely on a different course. It has changed from "guarding against espionage" to "guarding against independence." From the "National Armed Forces Reference Table of Rewards and Encouragement for Finding Clues" published recently by the National Defense Ministry's General Department for Political Warfare, one can tell that the military security elements are quietly pointing their guns inward.

### **Independence for Taiwan Movement Is the Military's Foremost Enemy**

The major goal of these measures, which became effective in mid-July at the lowest unit level, is the use of monetary rewards to encourage military personnel to inform on "lawless elements." Based on nine different groups of targets, amounts of money range from 1,000 yuan to 8,000 yuan. With the exception of Item 8, which deals with spies, the others all are directed toward "ambitious conspirators" within Taiwan itself.

The content of these measures can be traced to and reflects the internal political changes in the country. For example, Items 1, 2, and 7 provide for secretly informing against the underworld or lawless elements in the familial villages, including provocateurs of violence in rallies and demonstrations; they echo the comprehensive revamping of public order measures of when Hau Pei-tsun assumed office. But these three items also clearly complement the conclusions drawn at the Public Order Conference held in June.

But with the political liberalization and election of large numbers of political figures of the "New National Alliance," talk about independence is no longer viewed as the venomous snake or ferocious beast of before. But conservative and close-minded military members have become very tense and stepped down hard on thoughts and words about independence. So these procedures of encouragement and reward for informing are at least half-directed against any independence. For example, Item 4, which targets religious movements that advocate separatism, really points at the Presbyterian Church. No. 5 names the "Taiwan City and Village Propaganda Battalion" as its target because of its dissemination of

notions of independence. As to Item 9, the listing of "Alliance for an Independent Taiwan" is self-explanatory.

### **Reporters and Spies Are Regarded as the Same**

Worth noting is Item 7, for it refers to those "suspected of words and deeds that are extreme, who sympathize with or support separatist organizations." How is this to be determined? It is obviously nebulous. One military member in political warfare expressed it this way: "What is 'extreme'? Is it he who curses the Kuomintang? If the extreme left is 'extreme,' what about the extreme rightist CHINGNIEN JIH PAO?" Then he went a step further, pointing out that "sympathy and support" is too broad a definition; if carried out, this would reward some people who would use it to get the reward as a public means to settle private scores. In actuality, this item gives free rein to testimony, and could very likely create an aura of "white terror" among the military.

What is interesting is that reporters are lumped into the same group as the underworld, advocates of violence, and spies and independence elements, something that reporters never believed nor accepted would happen. A reporter on military affairs observed that, aside from pursuit of truth, criticizing the military or probing behind the military scene was done with the hope that the military could really be the protector of democracy and would not let any military dirty laundry or rigidity of position affect the development of democratic politics. Moreover, those systems that most easily become rotten are those that are not supervised. Another reporter expressed the thought that covering the military was the toughest job, as it was not easy to verify anything on one hand, and on the other hand, carelessness could affect the safety of the interviewee or the reporter. But lack of supervision would lead to subsequent malaise. When the military refuses to let reporters have interviews or gather information, using the excuse that everything is "classified," and concurrently publishes these procedures, it is warning its personnel and the reporters to stay out of "restricted areas" of the military; otherwise, they could secretly become examples of being informed upon.

It is possible that, due to uneven implementation and different administrative systems, these measures have not been completely disseminated armed forces-wide. Some of the troops are still unclear about the standards of reward. And an officer named Chen [7115], who is a spokesman for the Defense Ministry, has flatly denied that there is such a set of provisions, stating that the small or company-level unit cannot use monetary awards to encourage exposing lawless elements. But an officer who knows for sure said that "all such awards are issued by the parent unit. How can they not know about it?" Moreover, when it comes to money, it is unlikely that any single company-level unit can make a determination on its own.

### The Return of White Terror

On a different plane, these procedures do not state clearly how are those exposed to be dealt with—subjected to a military court or strictly controlled or reeducated? Is there a legal basis for it, or does it give the military free rein to do as it sees fit, seeing plotters everywhere ("every blade of grass a soldier"); and what kind of mental response will it arouse in the individual soldier? It will not take much to guess. Is a new "reign of white terror" about to appear among the military? All this is worth close scrutiny by outside circles.

In the 1950's, when an atmosphere of white terror was pervasive in the apprehension of spies, often heard at public-speaking contests was the stereotypical warning of "Beware! Spies are next to you!" used to remind the people to be in constant tune with the security policy against spies. Now that the anti-independence Hau Pei-tsun has joined hands with the military, perhaps it will not be long before we shall see at the Tien Chiao Bridge and on walls everywhere this slogan: "Beware! Advocates of independence are next to you!"

[Box, p. 12]

### National Armed Forces Reference Table of Rewards and Encouragement for Unearthing Clues:

1. 1,000 yuan to 3,000 yuan to any military personnel who implicates anyone who has joined an underworld gang, and offers concrete evidence that the person has participated in unlawful activity.
2. Same as Item 1 for exposure accompanied by evidence of any soldier in a home village having been a lawless person or of the existence of unlawful organization(s) in that village.
3. 2,000 yuan to 5,000 yuan for exposure and evidence of any military member having close contact with the media or with reporters and leaking military information.
4. Same as Item 3 for exposure with evidence of any military personnel who participates in religious activity advocating separatism and who is influenced to become active.
5. 5,000 yuan to 8,000 yuan for exposure and evidence of any military personnel who is involved in training activities of the "Taiwan City and Village Propaganda Battalion."
6. Same as Item 5 for exposure and evidence of any military personnel involved in acts of violence, such as illegal acts of social protest, or who provokes violence during rallies and demonstrations.
7. Same as Item 5 for exposure with evidence on any military member who is involved, in word or deed, in sympathizing with or supporting separatist organizations or who serves as their military point of contact.

8. Same as Item 7 for exposure with evidence of any military personnel involved in clandestine espionage activities in the armed forces.

9. Same as Item 7 for exposure with evidence of any military personnel involved in clandestine activities in the armed forces on behalf of the bogus "Alliance for Taiwan Independence."

### Notes:

1. The several rewards and categories of clues listed above will be calculated on an case-by-case basis and will be administered by the highest headquarters of each command. The reward has a time limit for closing the case. No reward will be given when there is insufficient concrete evidence or when the headquarters determines that it does not fit the criteria.

2. Extra rewards will be given when investigation of the case results in an expanded probe or when it leads to exposure of organized lawless bodies.

### 'One Country, Two Regions' Idea 'Evading Reality'

91CM0021A Taipei TZULI WANPAO in Chinese  
7 Sep 90 p. 5

[Article: "Crisis in KMT's Mainland Policy—Critique of Hau Pei-tsun's Concept of 'One Country, Two Regions'"]

[Text] Hau Pei-tsun's [6787 2672 2635] concept of "one country, two regions" is clearly a negation of the existence of the government of the Republic of China [ROC]. When Beijing put forward the policy of "one country, two systems," it clearly indicated that, with the People's Republic of China [PRC] as the center, China and Taiwan would respectively be delimited and defined by the socialist system and the capitalist system. On the other hand, Hau Pei-tsun differentiated them by painstakingly blurring the lines, causing the relationship between China and Taiwan to retrogress into the era of "Kuomintang [KMT]-ruled regions" and "liberated regions." Viewed in this light, the Taiwan region is, of course, a KMT-ruled region in which there does not exist any government.

### The "One Country, Two Regions" Predicament

Ever since the policy of banning maritime trade or intercourse was breached by the Taiwan people, the KMT's "mainland policy" has been uninteresting and stale. Faced with a diplomatic offensive waged by China, the KMT lost its recognition by Saudi Arabia. In the foreseeable future the KMT will also lose its diplomatic relationship with South Korea. That Taiwan is daily becoming more isolated in foreign relations is entirely because of the Beijing government's expansionism. This shows the close linkage between Taiwan's foreign policy and its mainland policy. If the KMT does not have a clear policy for the PRC, it will be unable to achieve anything in international relations.

If the KMT continues to make an issue of the question of "one China" it certainly will not obtain a clear-cut conclusion. To try to formulate a foreign policy or a mainland policy on a blurred foundation of political science is, without a doubt, an extravagant hope. This concept of "one country, two regions" created by Hau Pei-tsun not only falls into the set pattern of "one country," but also, staying clear of government-level discussions, looks upon Taiwan as just a region. This policy is equivalent to a surrender to the PRC, because Beijing has never said that the extent of its own rule was a region, but that, from first to last, it was a government with a legal basis. Hau Pei-tsun's recent invention is equivalent to wiping out the nature of the ROC government, and it is truly worthwhile to call to mind and ponder the invention's design.

In a region in which there exists no government that can really make laws to deal with civil issues this situation is handled by laws of a makeshift nature. In the Taiwan region, the KMT's purpose in making laws is not to face reality, but rather to hide reality from the people's eyes. Provided something is convenient for ruling this region, the KMT of course makes nothing of the hard work of formulating even more laws and regulations of a temporary nature. The so-called "Provisional Law on the Relationship Between the Peoples of the Taiwan Region and the Mainland Region" can not at all define the relationship between Taiwan and China, and even less can it help Taiwan to develop international relations. This law is nothing more than a temporary "prescription to treat a headache and a pair of sore feet."

The concept of "one country, two regions" can be accepted by the PRC because it is fairly close to Beijing's tactic of "one country, two systems." Hau Pei-tsun seeks temporary convenience, but instead he brings Taiwan into a new territory, making it more difficult to have any leeway in the future in mediating Taiwan's foreign relations. For international society this will be a case of two regions coming under the PRC, because Beijing has never found it necessary to stay clear of formulating policies on the political level, and it is only Hau Pei-tsun who possesses such unique wisdom. This continuing evasion, it is said, is for the purpose of China's unification—what a rich imaginative faculty! (Chen Fang-ming [7115 5364 2494])

#### **"KMT-Ruled Region" and "Liberated Region"**

In the administrative report that Hau Pei-tsun, president of the Executive Yuan, made to the current session of the Legislative Yuan, he decided to use the concept of "one country, two regions" to deal with questions of civil law between the people of Taiwan and the people of China. This was a new idea designed by the KMT stemming from its focus on mainland policy after the ideas of "one country, two seats" and "one country, two governments" were broached. The purpose of the new idea is to stay clear of the political level in defining the relationship between Taiwan and China.

Before Hau Pei-tsun came up with this idea, as early as during the National Affairs Conference in July, Shih Chi-yang [2457 0796 2254] laid the groundwork for "one country, two regions," a fact that sufficiently proves that the decision to go ahead with this design was not made in the administrative report. For Hau Pei-tsun, the political responsibility borne by the KMT will be mitigated, provided Taiwan and China change geographical names. This administrative style of evading reality time and again and of evading responsibility precisely reflects the style of Hau Pei-tsun, a man who, compared with all other presidents of the Executive Yuan, has no breadth of vision and even less has courage.

In its interpretation of "one country, two seats" or "one country, two governments," the KMT has never clearly defined the "one country" as the ROC or the PRC, but has only made use of a blurred, abstract "China" as a shield for the KMT's policy of an independent Taiwan. The "two seats" idea is aimed at international society, namely, occupying two seats in international organizations; the "two governments" idea is aimed at the China policy, namely, that there exist two governments on the two sides of the strait. These two formulations put Taiwan and China on an equal footing. Compared to Hau Pei-tsun's idea of "one country, two regions," at least they safeguard Taiwan's position, even if such a policy is far divorced from reality.

Hau Pei-tsun thinks that geographical names have no significance, so he tries to be original by coming up with the formulation "two regions." Actually, this design has no forward-looking nature, nor does it have any historical or intellectual basis. If Hau Pei-tsun had a little understanding of modern history, he would know that the formulation "one country, two regions" was used long ago by the Communist Party of China. During the War of Resistance Against Japan, the Chinese Communists never recognized the national government led by Chiang Kai-shek. Therefore, they called the regions ruled by the KMT "KMT-ruled regions" and their own revolutionary bases "liberated regions."

The Chinese Communists' concept of "one country, two regions" was created at a time when not all of China had yet been liberated. The "KMT-ruled regions" were also called White regions, that is, White terror regions; the "liberated regions" were also called Red regions, a broad term for the extent of the land under the Chinese Communists' control. The Chinese Communists did this because they knew that they had not yet established a government recognized by the people and that the KMT government had been repudiated. Therefore, they used the terms "liberated regions" and "KMT-ruled regions" to draw boundary lines.

#### **DPP Views Role in National Unification Council**

*91CM0021B Taipei TZULI WANPAO in Chinese  
13 Sep 90 p 5*

[Article by Chen Yung-hsing (7115 3057 5281), member of the Standing Committee of the Democratic Progressive Party: "Different Reactions by DPP to National Affairs Conference and National Unification Council"]



[Text] The other day President Li Teng-hui invited out-of-office personages to consult with him by giving their opinions on the establishment of the "National Unification Council," a move that drew attention and comment from the government and the public. What is of particular interest in media reportage seems to be the question of whether Huang Hsin-chieh [7806 0207 0094], chairman of the Democratic Progressive Party [DPP], was invited to take part in the consultation. Whether or not within the DPP there is wrangling about taking part in the National Unification Council, the analyses in the reportage that exaggerate and play up factional antagonism and controversies about unification and independence are extremely wide of the mark! Then there is the lumping together of the "National Unification Council" and the National Affairs Conference and the resultant but mistaken analogical inferences. What everyone wants to know is what were the different reactions by the DPP to the National Affairs Conference and the "National Unification Council," and I here provide them for the reader's reference.

#### **Taking Part in National Affairs Conference To Get Constitutional Government Reform**

The leading reason for convening the National Affairs Conference was the crisis in constitutional government, and the resolution of this crisis is a crucial point that Taiwan's rapid democratization must achieve. Therefore, nongovernmental and out-of-office personages demanded the convening of the National Affairs Conference. No matter whether it was students, figures from all quarters of society, constitutional government scholars, or seniors in the opposition movement, they all demanded that the Kuomintang [KMT], which has been in power for a long time, hold the National Affairs Conference to discuss reform of the constitutional government. The DPP itself, bearing the public's trust, demanded that the National Affairs Conference be held so that political parties could consult with each other, and a policy decision on this matter was passed by the DPP's Central Executive Committee. Given the people's common understanding in ardently expecting swift reform of the constitutional government, the DPP's participation in the National Affairs Conference must, of course, be an all-out action. For this reason the DPP proposed a "democratic Magna Carta" as a blueprint for reform of the constitutional government at the present stage, and it obtained a mutual understanding on the blueprint from the nongovernmental and out-of-office reformers. During the National Affairs Conference it strove for a greater scope of constitutional government reform, and in all its conclusions—democratic election of the president, democratic election of the governor and the mayors, general election of the National Assembly, strengthened local autonomy, focus on mainland policy, and Taiwan's security—it seemed to have reached a common understanding with popular opinion. It is thus evident that, by participating in the National Affairs Conference, the opposition party really performed the part of striving for the people's interests, and that it

played a positive role in reflecting popular opinion to wring concessions from the conservative forces in the ruling party. Since the close of the National Affairs Conference, the masses in society can clearly see the "countermissile" held by the vested-interest forces of the reactionary conservatives, who use all possible means and the conclusion of the National Affairs Conference in going so far as to attempt to reverse the stand on which all people have a common understanding. In particular, when the party in power itself shut the door on formulating a plan for constitutional government reform, it divorced itself from the reform goals expected by popular opinion. The practice of this retrogressive contingent of the ruling party is quite sufficient to bring into high relief the fact that when the opposition does not take part in such a conference there will be a failure to attain the hope for constitutional government reform, thus fully showing the positive significance of the opposition party's taking part in the National Affairs Conference and the negative image of the ruling party in being divorced from the masses and from reality, and in acting blindly!

#### **Not Taking Part in National Unification Council To Prevent Annexation by China**

After the National Affairs Conference, all people expected that President Li Teng-hui would accelerate the drive for constitutional government reform. What should be set up is a "Constitutional Government Reform Committee," which would transcend parties and factions and be in accord with the common understanding of all the people, and which would invite constitutional government scholars and out-of-office representatives who truly reflect popular opinion to set up a group for "reforming the constitution or drafting a new constitution." Within a definite period of time they would propose the draft of a new constitution for a "referendum by all the people." After implementation of the new constitution was agreed upon by the citizens' votes, an election could be held for a new National Assembly and a democratic election for president, so that Taiwan would truly enter a new era of thoroughgoing democratization. The government leaders and all the National Assembly representatives would then be directly elected and supervised by the masses, and the people would become the true masters of the state. With a government and National Assembly that thoroughly represent the popular will, Taiwan could develop sound foreign relations and a sound mainland policy, and domestically it could also formulate public policies that suit the people's needs. This is an urgent matter for the country's development, and it is a crisis in the country's constitutional government, a crisis that has been put off for a long time and that is of top priority to resolve. The whole affair would be a just game of written slogans in which the ruling party deceives itself as well as others if we do not make a big issue of striving to overcome countless difficulties in order to combine the forces of all the people for the complete democratization of constitutional government reform and to address the issue of

"national unification," which has been shouted about for more than 40 years, but about which we have been helpless and have not made the slightest significant movement. From counterattacking the mainland to wipe out the communist bandits to unifying China with the Three Principles of the People, from being a member country of the UN Security Council to shouting about now becoming the world's orphan—with such a record how can the ruling party hope that the Taiwan people will believe in "unification"? Today, in Taiwan's society, the masses are not interested in "unification," and nobody is willing to be a third-class citizen under the Chinese mainland's communist regime. Then, what is the need for the KMT to be in such a hurry to set up a "National Unification Council"? What will the establishment of this impractical, illusory "National Unification Council" mean? I fear that there are not even a few among the Taiwan people who are clear about these questions, and there is even less use in saying that they hope that the opposition party will take part in it or even strive for its establishment. At the preparatory meeting for the National Affairs Conference, the DPP began to oppose discussion of the topic of "national unification," because we thought that this topic had been shouted about for more than 40 years without the slightest good being done, and that locally there was no need to discuss it again. Therefore, we changed the topic to that of "the relationship between the two sides of the strait and the

mainland policy"! Since the topic of "national unification" had been voted down at the National Affairs Conference, how could we now take part in the "National Unification Council"?

#### **DPP Advocates Self-Determination To Safeguard Taiwan People's Interests**

The DPP's position on Taiwan's future is "the people's self-determination," and it maintains that all inhabitants (including anyone of provincial origin) of Taiwan Island should jointly determine their common destiny. The reason that the DPP decided to take part in the National Affairs Conference was to strive for the interests of all the people and to promote greater domestic and constitutional government reforms; the reason that the DPP will not take part in the National Unification Council is to safeguard the Taiwan people's rights and interests not to be unified by China. As Taiwan's largest opposition party, the DPP has the responsibility to reflect the aspirations of the masses of society, to vigorously try to obtain accelerated implementation of constitutional government reform, and to avoid Taiwan's losing its way in the abyss of unification. This is the main reason that the DPP took part in the National Affairs Conference and will not take part in the "National Unification Council," and the pursuit of the highest interests of the Taiwan people is an opposition party's most important basis for making policy decisions.

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